NY Green Bank

Metrics, Reporting & Evaluation

Annual Financial Metrics Report No. 4

(April 1, 2017 - March 31, 2018)

Case 13-M-0412

June 29, 2018

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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 and Research 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 (the "**Metrics Plan**").[1]

The purpose of this Report is to provide information that is available annually on specific aspects of NYGB's financial performance in its most recent fiscal year (April 1 through March 31, "**FY**"). This report also incorporates NYGB's audited annual financial statements for FY 2017 – 18 in Schedule 2, including management discussion and analysis and all notes to the financial statements.

During the FY ended March 31, 2018, NYGB continued its focus on execution and asset management across all aspects of its sustainable infrastructure investment business. NYGB received over $2.6 billion in investment proposals from Inception[2] through March 31, 2018. Its Active Pipeline was $704.2 million as of March 31, 2018, continuing to be diversified across technology, location, and end-user segments. During the past fiscal year, FY 2017 – 18, NYGB closed seven new transactions totaling $111.4 million, facilitating clean energy development in New York State with an aggregate estimated total project cost in the range of $1.4 billion to $1.6 billion. Through March 31, 2018, NYGB's overall sustainable infrastructure investments since Inception totaled $457.5 million. At the same date, NYGB's Current Portfolio was $374.3 million.

NYGB continues to execute to plan in a manner aimed at building and maintaining a sizeable Investment Portfolio over the near and medium terms that meets NYGB's mission and key investment criteria.[3] To that end, NYGB focused its efforts in FY 2017 – 18 on investment origination, credit underwriting and execution, risk management practices and procedures, staff and critical infrastructure development, impact metrics estimation and reporting and stakeholder engagement, while continuing to develop and refine its operational frameworks. These efforts position NYGB to deliver favorable returns on its capital and, simultaneously, energy and environmental benefits that continue to meaningfully contribute to the State's energy strategy consistent with the Clean Energy Fund ("**CEF**"), Reforming the Energy Vision, State Energy Plan and Clean Energy Standard objectives.

Further information on NYGB's activities and performance over the past year are available in its Annual Review 2017 – 18 and Annual Business Plan 2018 – 19 (the "**2018 Review and Plan**")[4] and in other materials (including Quarterly Metrics Reports) – all available at www.greenbank.ny.gov/Resources/Public-Filings.

Defined terms used, but not separately described, in the text of this document have the meanings respectively given to them in the Metrics Plan or in Section 4.

2. Discussion of Annual Performance

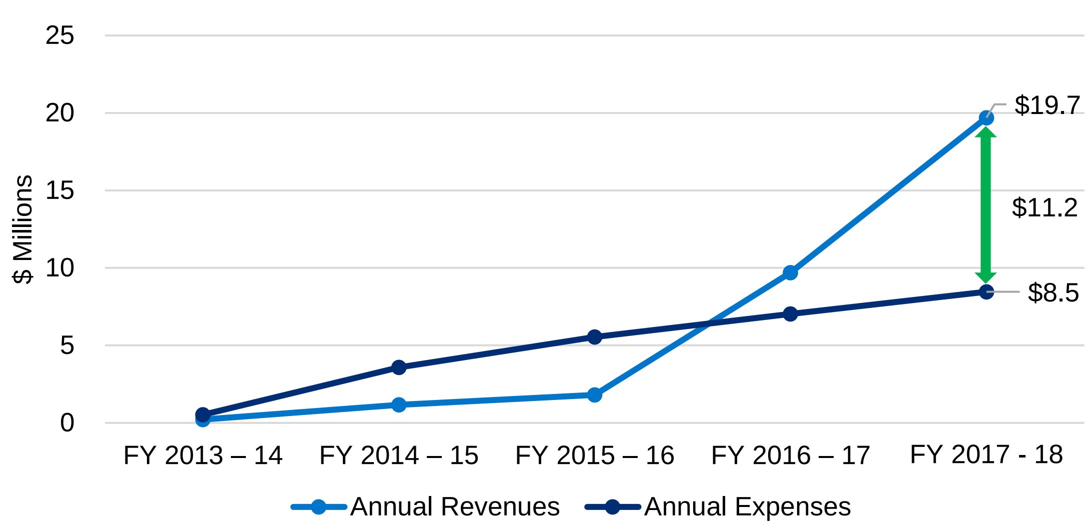
Since closing its first transaction in Fall 2015, NYGB's Investment Portfolio has continued to grow. In FY 2017 – 18, NYGB closed seven investments, investment extensions or upsizes totaling $111.4 million. As of March 31, 2018, NYGB's Overall Investments to Date totaled $457.5 million. NYGB ended FY 2017 – 18 with a Current Portfolio (representing the aggregate dollar value of its investments and comprising deployed as well as committed amounts on that date) of $374.3 million.

NYGB's Investment Portfolio generated significant operating revenues for the FY 2017 – 18. As such, NYGB maintained its self-sufficiency (i.e., generation of net income) and also exceeded its annual net income target as

[1] Case 13-M-0412, "NY Green Bank – Metrics, Reporting & Evaluation Plan", dated June 20, 2016, available at www.greenbank.ny.gov/Resources/Public-Filings.
[2] "**Inception**" means the inception of NYGB pursuant to, and as of the date of, the "Order Establishing New York Green Bank and Providing Initial Capitalization", issued and effective December 19, 2013 (the "**Initial Capitalization Order**"), Case 13-M-0412.
[3] Case 13-M-0412, "NY Green Bank Annual Review 2017 – 2018 and Annual Business Plan 2018 – 2019," filed June 29, 2018, available at www.greenbank.ny.gov/Resources/Public-Filings.
[4] *Ibid.*

stated in the 2017 Plan.[5] Specifically, NYGB generated $19.7 million revenues, incurred $8.5 million expenses and produced $11.2 million net income. While revenues were strong, NYGB's net income was higher than plan in part due to budgeting some expenses that will be incurred in the next fiscal year. Figure 1 shows the trend of NYGB's annual revenues and expenses since Inception.

Figure 1: Yearly Revenues vs. Expenses Since Inception

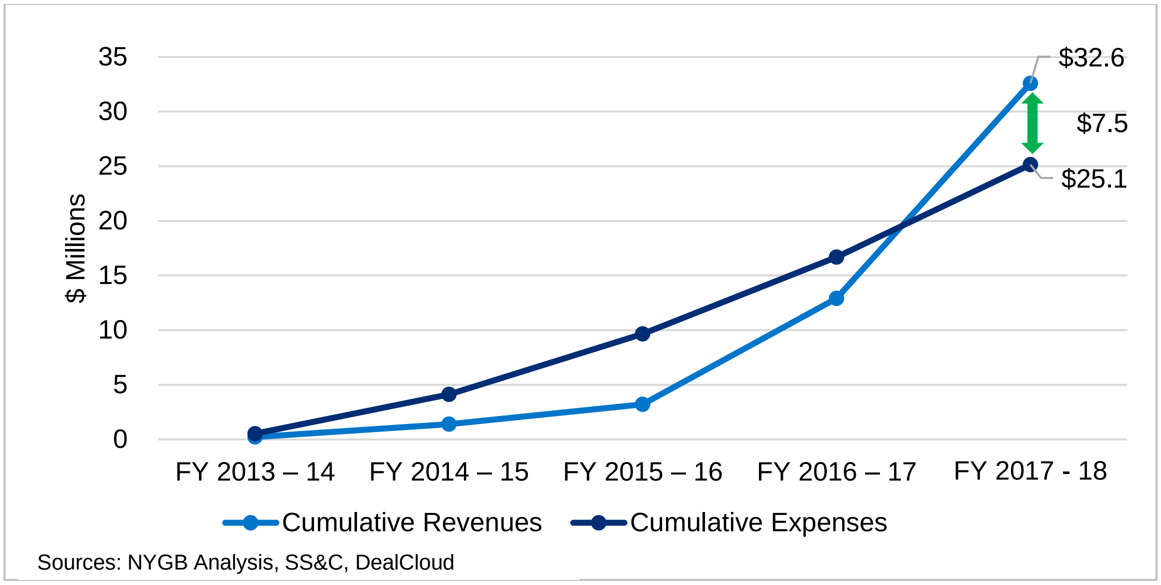


Sources: NYGB Analysis, SS&C, DealCloud

Following NYGB's achievement of self-sufficiency through the generation of net income a year earlier than planned (i.e., by March 31, 2017), in September 2017, NYGB achieved another first: cumulative breakeven. At this point, NYGB's cumulative revenues exceeded its cumulative expenses. Cumulative breakeven is illustrated in Figure 2.

[5] Case 13-M-0412, "NY Green Bank Annual Review 2016 – 2017 and Annual Business Plan 2017 – 2018," filed June 19, 2017, available at www.greenbank.ny.gov/Resources/Public-Filings.

Figure 2: Cumulative Revenues vs. Cumulative Expenses Since Inception



Summary detail of NYGB's financial operations in FY 2017-18 is contained Table 1, together with results from the prior year and variance percentages. As shown in the table, total operating revenues increased $9.6 million (109.1%) year-on-year. A provision for losses on loans and financing receivables ("**Portfolio Impairment**") in the amount of $844,000 was recorded as of March 31, 2018. As noted in Quarterly Metrics Reports, Impaired amounts (i.e., the amount of any provision for losses) are offset against revenues, such that cumulative revenues in the quarterly reports are stated net of Portfolio Impairments. Total operating expenses increased $1.4 million (20.3%), most significantly driven by increases in salaries and benefits and program operating costs. Salaries and benefits (including NYGB staff salary expenses ($2.9 million), NYSERDA allocated administrative salary expenses ($1.2 million), and allocated fringe benefit expenses ($1.6 million)) increased $1.3 million (30.8%) from the prior year. This occurred due to an increase in NYGB's staffing as well as an increase in the overall pool of allocable NYSERDA expenses of which NYGB pays its *pro rata* share (which is calculated based on NYGB's direct staffing costs as a proportion of NYSERDA's program staffing costs).

Investment related expenses, which include legal and other costs incurred for various portfolio investments, were 16.3% less than the previous year, generally reflecting transaction volumes and higher counterparty reimbursement rates.

Program operating costs increased $0.2 million (26.0%) due to an increase in professional service expenses (e.g., consultants and temporary employees, including costs of third-party fund administration services). General and Administrative Expenses, which include allocable costs such as rent, utilities and insurance declined $0.1 million (6.0%) due to a decrease in the allocable cost as compared to the prior year. Depreciation and NYS Assessments reflect NYGB's allocable share of NYSERDA's depreciation and NYSERDA's cost recovery fee ("**CRF**") assessment from the State, respectively. The dollar amount of the CRF allocation declined due to a decrease in NYGB's *pro rata* share for the year, while the dollar amount of depreciation accounted for by NYGB increased in line with an increase in NYSERDA's overall depreciation year-over-year.

Investment income increased $0.4 million (47.0%), directly reflecting NYGB's higher average investment balance due to capital contributions of $109.7 million and from capital repayments beginning to occur as portfolio investments become more established.

Table 1: Net Income ($ thousands)

	March 31, 2018	March 31, 2017	% Change 2017 - 2018
Operating revenues:			
Fees	$2,484	3,399	-26.9%
Loans and financing receivables interest	16,703	5,373	210.9%
Provisions for losses on loans and financing receivables	(844)	-	100%
Total operating revenues	18,343	8,772	109.1%
Operating expenses:			
Salaries and benefits	5,716	4,371	30.8%
Investment related expenses	435	520	-16.3%
Program operating costs	1,152	914	26.0%
General and administrative expenses	920	979	-6.0%
Depreciation	154	124	24.2%
NYS assessments	86	124	-30.6%
Total operating expenses	8,463	7,032	20.3%
Operating income	9,880	1,740	467.8%
Non-operating revenues:			
Capital contributions[6]	9,529	-	100.0%
Investment income	1,354	921	47.0%
Total non-operating revenues	10,883	921	1,081%
Income before transfers	20,763	2,661	680.3%
Transfers in	100,152	150,000	-33.2%
Change in net position	120,915	152,661	-20.8%
Net position, beginning of year	365,236	212,575	n/a
Net position, end of year	486,151	365,236	33.1%
Net Income (Loss)	**$11,234**	**2,661**	**322.2%**

Source: NYGB Financial Statements; NYGB Analysis

3. Annual Financial Metrics

3.1 General

Required metrics for FY 2017 – 18 and FY 2016 – 17 are set out below in Table 2.

The year-on-year changes in NYGB's annual Return on Investment ("**ROI**") contained in Table 2 – on both a gross and net basis – are graphically represented in Figure 3.

On review of the ROI figures reported in the FY 2016 – 17 Annual Financial Metrics Report (filed June 29, 2017), NYGB identified an error in the calculation of weighted average ROI Capital. This error has been remedied in this Report and the corrected ROI figures for FY 2016 – 17 are included in Table 2.

[6] As part of U.S. generally accepted accounting standards, the Governmental Accounting Standards Board requires capital contributions made to NYGB from NYSERDA's available cash and investment balances to be treated as transfers, while those derived directly from the Bill-As-You-Go ("**BAYG**") approach be accounted for as nonoperating revenues to NYGB. As a result, additions to NYGB's capital during the fiscal year equal the sum of "Capital contributions" under Non-operating revenues and "Transfers in", which appear in the full Statement of Revenues, Expenses and Changes in Fund Net Position. Therefore the $9.5 million shown as capital contributions Table 1 represents only part of the capitalization received by NYGB during the year.

Table 2: Annual Financial Metrics: FY 2017 – 18 vs. FY 2016 – 17

Annual Metric	FY 2017 – 18	FY 2016 – 17[7]
Financial Position		
▪ **Audited Financials**	See "Audited Financial Statements" available at www.greenbank.ny.gov/Resources/Public-Filings	Included in Schedule 2 of this Report
Investment Quality & Risk		
▪ **Portfolio Impairment**	0.2%	0.0%
Investment Portfolio Benefits		
▪ **Return on Investment (%)**		
▪ **Annual ROI**		
▪ **Gross**	4.57%	3.14%
▪ **Net**	2.61%	0.86%
▪ **Cumulative ROI**		
▪ **Gross**	11.27%	5.24%
▪ **Net**	2.57%	(1.54%)
▪ **Capital Redeployment Cycle Time**	3.45 years	3.66 years

3.2 Financial Position

3.2.1 Audited Financials

NYGB's Audited Financials are included in Schedule 2, comprising the report of KPMG LLP as independent auditor, management's discussion and analysis and 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.

3.3 Investment Quality & Risk

Details of NYGB's Risk Management and Oversight can be found in Schedule 2 to the 2018 Plan.[8]

3.3.1 Portfolio Impairment

As of March 31, 2018, 0.3% ($844,000) of the reported value of Loans and financing receivables was recorded as Impaired, which represents a Portfolio Impairment of 0.2% of the Current Portfolio ($374.3 million) consistent with the definition of Portfolio Impairment in the Metrics Plan for the purposes of this Report. Current Portfolio is a larger amount than Loans and financing receivables as it includes both capital deployed into investments and undrawn commitments, whereas Loans and financing receivables reflect the outstanding balance of all deployed capital.

3.4 Investment Portfolio Benefits

Return on Investment ("**ROI**") is a commonly used financial performance metric used by investment and portfolio managers to assess the efficiency of an investment and for comparison among investments. Traditionally, ROI measures the return on an investment, relative to the investment's cost. The Metrics Plan defines ROI to measure the return on all capital provided to NYGB from New York ratepayers, not a return on just the capital invested by NYGB. ROI, as discussed in this Report, is similar to a traditional return on equity measure. The Gross ROI and Net ROI calculations (including of ROI Capital) used in this Report are defined in Section 4.

[7] Revised from FY 2016 – 17 Annual Financial Metrics Report filed June 29, 2017. See Schedule 1 to compare the previously reported ROI figures with the revised figures in this Report.

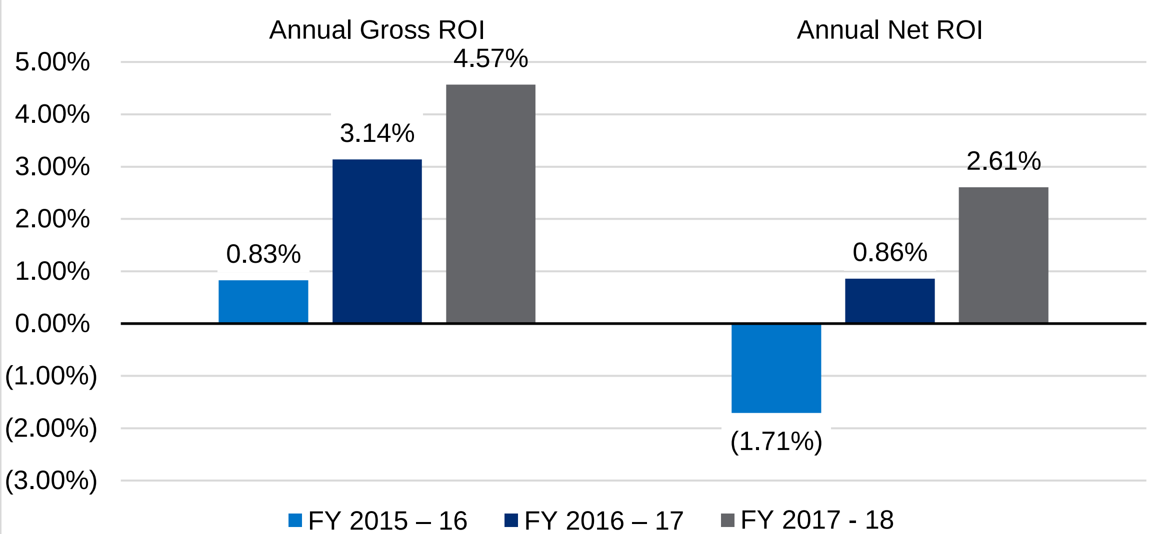
[8] 2018 Plan, Schedule 2, Page 53 available at www.greenbank.ny.gov/Resources/Public-Filings.

At the beginning of FY 2017 – 18, NYGB's ROI Capital was $368.5 million. Through the BAYG process, implemented during FY 2017 – 18 pursuant to the Order of the Commission establishing the CEF[9] NYGB began to receive capital contributions monthly, in an aggregated amount reflecting new investments closed within the prior month. Through this process, NYGB received additional ratepayer capital during FY 2017 – 18 totaling $109.7 million. NYGB's total ROI Capital at the end of FY 2017 – 18 was $478.2 million. As such, NYGB's ROI for FY 2017 – 18 is calculated as a time-weighted average of ROI Capital reflecting the timing of capital contributions throughout the year (for annual calculations) or since Inception (for cumulative calculations).

3.4.1 Annual ROI

The year-on-year changes in NYGB's annual ROI contained in Table 2 – on both a gross and net basis – are graphically represented in Figure 3. This figure shows that NYGB's annual financial performance has consistently improved. Year-on-year variance in Annual Net ROI shows growth of 2.57% between FY 2015 – 16 and FY 2016 – 17 and 1.75% growth between FY 2016 – 17 and FY 2017 – 18. This performance is attributable to increases in the Investment Portfolio and Revenues, as well as management of Expenses.

Figure 3: Annual ROI



Sources: NYGB Analysis, SS&C, DealCloud

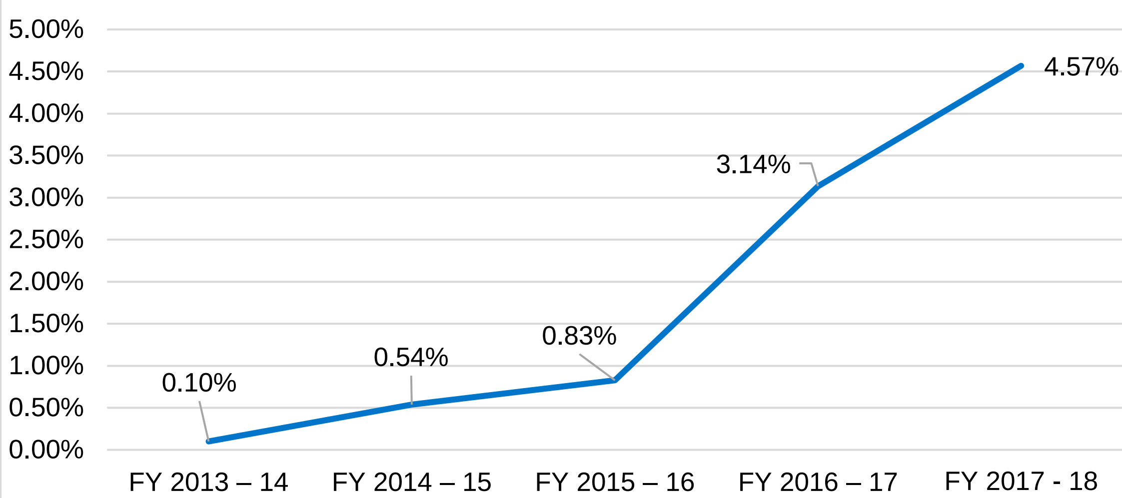
Annual Gross ROI

Annual Gross ROI, illustrated in Figure 4 below, increased from 3.14% to 4.57% in FY 2017 – 18, primarily due to NYGB Revenues increasing by $7.9 million from $1.8 million in FY 2016 – 17 to $9.7 million in FY 2017 – 18.

This growth in Annual Gross ROI represents a 46.0% increase year-on-year since FY 2016 – 17.

[9] CEF Order, page 108.

Figure 4: Annual Gross ROI Since Inception



Sources: NYGB Analysis, SS&C, DealCloud

Annual Net ROI

NYGB Expenses rose $1.5 million from $7.0 million in FY 2016 – 17 to $8.5 million in FY 2017 – 18. Annual Net ROI grew from 0.86% in FY 2016 – 17 to 2.61% in FY 2017 – 18. This trend reflects NYGB's successful establishment and growing activity as a sustainable infrastructure investor of choice in clean energy financing markets.

This growth in Annual Net ROI represents a 203.5% increase year-on-year since FY 2016 – 17.

3.4.2 Cumulative ROI

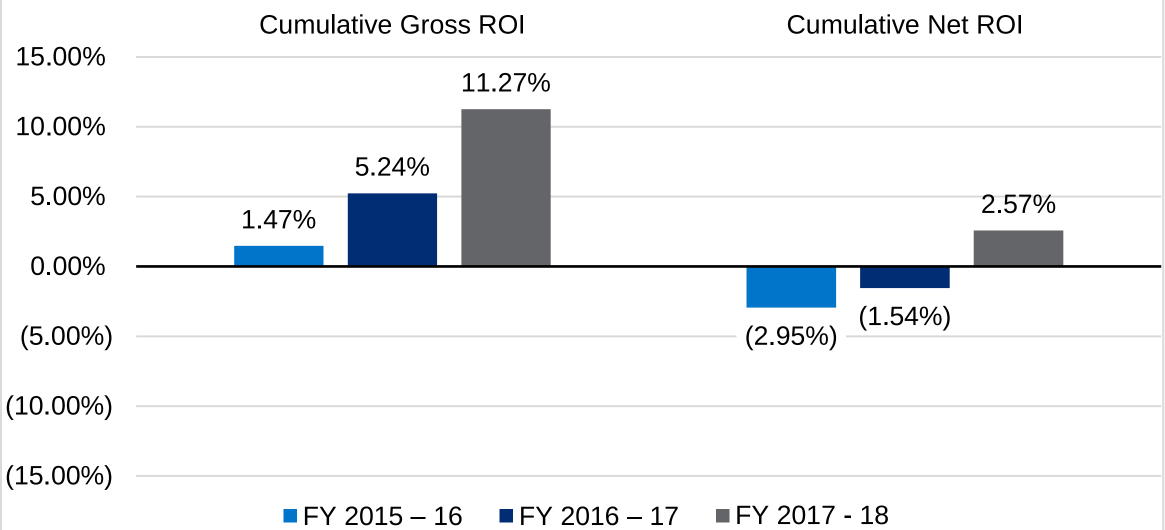
The year-on-year growth in Cumulative ROI – that is, from Inception, is illustrated in Figure 5. The key difference in the components of the calculation between gross and net measures (for both annual and cumulative periods) is that net measures (i.e., Annual Net ROI and Cumulative Net ROI) include Expenses as an offset to Revenues, whereas Gross ROI measures do not.

NYGB's Cumulative ROI measures arguably understate NYGB returns, as they include $21.5 million of expense carve-out which was reflected by the Commission in the Initial Capitalization Order[10]. Part of NYGB's establishment involved the authorization of $17.5 million of the initial capitalization of $218.5 million for start-up and administration expenses and $4.0 million for program evaluation activities.[11] At March 31, 2018, NYGB's cumulative (direct and indirect) operating expenses were $25.1 million and for the same period, NYGB's cumulative (operating and nonoperating) revenues totaled $32.6 million. Since the $17.5 million in administrative expenses has now been expended, NYGB's ongoing expenses are being met by revenues, with excess revenues being applied to NYGB's Investment Portfolio activities. At March 31, 2018, such excess revenues totaled $25.0 million (i.e., calculated as the sum of $32.6 million and $17.5 million, less cumulative expenses of $25.1 million).

[10] Case 13-M0412, "Order Establishing New York Green Bank and Providing Initial Capitalization", issued and effective December 19, 2013.

[11] These amounts include administrative and evaluation expenses as described in the Initial Capitalization Order and an allocated portion of Regional Greenhouse Gas Initiative ("**RGGI**") funds that are described in the Commission Order Approving Additional Capitalization with Modification for NY Green Bank in July 2015. Both filings can be found at www.greenbank.ny.gov/Resources/Public-Filings.

Figure 5: Cumulative ROI



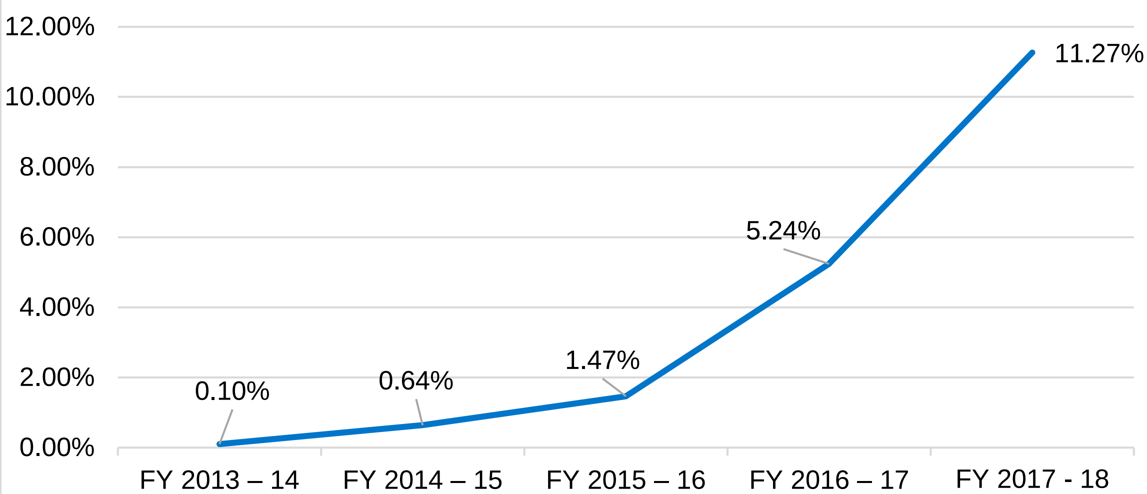
Sources: NYGB Analysis, SS&C, DealCloud

Cumulative Gross ROI

Cumulative Gross ROI increased from 5.24% in FY 2016 – 17 to 11.27% in FY 2017 – 18, due principally to an increase in Cumulative Revenues from $12.9 million as of March 31, 2017 to $32.6 million as of March 31, 2018, with Cumulative Gross ROI since Inception shown in Figure 6.

This growth in Cumulative Gross ROI represents a 115.1% increase year-on-year since FY 2016 – 17.

Figure 6: Cumulative Gross ROI Since Inception



Sources: NYGB Analysis, SS&C, DealCloud

Cumulative Net ROI

Cumulative Net ROI improved from -1.54% to 2.57%, as Cumulative Revenue growth exceeded the increase in Cumulative Expenses. Cumulative Expenses rose $8.4 million from $16.7 million as of March 31, 2016 to $25.1 million as of March 31, 2017. This negative-to-positive change in Cumulative Net ROI reflects Net Income of $11.2 million.

This growth in Cumulative Net ROI represents a 266.9% increase year-on-year since FY 2016 – 17.

3.4.3 Capital Redeployment Cycle Time

Capital Redeployment Cycle Time ("**CRCT**") is broadly a measure of how long it will take for a dollar of NYGB funding to effectively be returned from one investment and be available to reinvest into a new one. CRCT will vary by the expected weighted average term remaining of each investment in the Investment Portfolio as calculated at a point-in-time.

The CRCT of NYGB's Current Portfolio, as of March 31, 2018, was 3.45 years, indicating that NYGB is on track to recycle its Investment Portfolio at least twice during the CEF term and mobilize Total Project Costs (Cumulative) of at least $8.0 billion over the same period.

4. Glossary & Definitions

"**2017 Plan**" means NYGB's 2017 Business Plan.

"**2018 Review and Plan**" has the meaning given to that term in Section 1.

"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, Investment and Risk Committee 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 its capital assets (e.g., owned real estate) and other capitalized items; and

(e) New York State Cost Recovery Fee[12], a charge levied by the State of New York on all 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

[12] 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 expenses (including allocations).

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 relevant time.

"BAYG" refers to the "Bill-As-You-Go" approach for revenue collection under the CEF, effective January 1, 2016, and established pursuant to the CEF Order. Under this approach, CEF ratepayer collections and the previously approved collections for New York Energy $mart, Energy Efficiency Portfolio Standard, Technology and Market Development, and Renewable Portfolio Standard programs will be held by the electric and gas utilities and used to reimburse NYSERDA for actual CEF program expenses through a monthly reimbursement process, provided that the reimbursement allows NYSERDA to maintain a sufficient cash balance based on projected expenses for the subsequent two-month period, subject to the collection amounts approved in the CEF Order. NYGB receives incremental capital contributions through NYSERDA as capital is committed.

"**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[13] 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.

"**CEF**" means, the $5.3 billion commitment over 10 years (January 2016 through December 2025) and is part of Governor Cuomo's Reforming the Energy Vision strategy (REV) to advance clean energy growth and innovation, while driving economic development across NYS and reducing ratepayer collections.[14] For more information on the CEF and REV strategy, see www.nyserda.ny.gov/About/Clean-Energy-Fund and www.ny.gov/programs/reforming-energy-vision-rev.

"**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.[15]

"CRF" has the meaning given to that term in Section 2.

"CRCT" has the meaning given to that term in Section 3.4.3.

"**Cumulative Operating Expenses**" means, in any period, the aggregate of all Expenses since Inception.

"**Cumulative Revenues**" means, in any period, the aggregate of all Revenues 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.

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[13] Or in the case of any contingent obligations or other unfunded commitments of NYGB, the termination of any commitment in accordance with its terms.

[14] Refer to Cases 14-M-0094 et al, "Order Authorizing the Clean Energy Fund Framework" issued and effective January 21, 2016.

[15] 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.

“**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.[16]

“**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.

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

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

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

$$\frac{\text{Revenue} + \text{Capital Gains} - \text{Capital Losses}}{\text{ROI Capital (weighted average)}}$$

“**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 Initial Capitalization Order.

“**Initial Capitalization Order**” has the meaning given to that term in footnote 2.

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

“**Net Income**” means, in any period, the excess of Revenues over Expenses.

“**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:

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

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

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

“**Overall Investments to Date”** means, at any time, the aggregate of all Committed Funds since Inception (but excluding approved investments that have not been executed at the relevant time), expressed in dollars.

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[16] 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.

"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.

"**Quarterly Metrics Reports**" means each Metrics report required to be filed by NYGB with the Commission in respect of each calendar quarter as set out in Section 2.1 of the Metrics Plan and addressing the matters identified in Section 2.2 of the Metrics Plan as applicable.

"**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 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[17], all expressed in dollars. "Revenue" includes fair market value adjustments (either increases or decreases) relating to Available Capital held in U.S. Treasury securities from time to time.

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

ROI Capital = Available Capital + (Deployed Funds + Cumulative Operating Expenses + any Capital Losses) – (Cumulative Revenues + 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.

"**Total Project Costs (Cumulative)**" means, in any period, the aggregate of all amounts required to deploy clean energy project(s) comprising each (past and present) NYGB investment for the corresponding term of that investment. "Total Project Costs (Cumulative)" captures all capital for the relevant investment irrespective of source (including, without limitation, sponsor equity, tax equity, other equity interests, all categories and types of debt or hybrid interests and incentives), including any assumed rollover of revolving facilities. "Total Project Costs (Cumulative)" is measured since Inception and expressed in dollars.

[17] It is NYGB's practice to invest cash balances in low risk instruments.

SCHEDULE 1

Revision of FY 2016 – 17 Annual ROI Metrics

Table 3: Revised FY 2016 – 17 Annual ROI Metrics

Annual Metric	FY 2016 – 17 (As reported on June 29, 2017)	FY 2016 – 17 (Revised)
Investment Portfolio Benefits		
▪ **Return on Investment (%)**		
▪ **Annual ROI**		
▪ **Gross**	1.62%	3.14%
▪ **Net**	0.45%	0.86%
▪ **Cumulative ROI**		
▪ **Gross**	2.29%	5.24%
▪ **Net**	(2.00%)	(1.54%)

SCHEDULE 2

NYGB Audited Financial Statements – March 31, 2018

[See Attached]

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

FINANCIAL STATEMENTS

March 31, 2018

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March 31, 2018

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, 2018 were prepared in conformity with U.S. generally accepted accounting principles. The Board of the Authority (the Board) adopted these financial statements at a meeting on June 26, 2018.

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 provided 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 opinions 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 through the execution of their audit procedures. 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), which comprise the statement of net position as of March 31, 2018, and the related statements of revenue, expenses and changes in fund net position and cash flows for the year then ended, 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, 2018, 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 present only the NY Green Bank Fund and do not purport to and do not present fairly the financial position of the New York State Energy Research and Development Authority as of March 31, 2018, 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 2017 financial statements of NY Green Bank, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2017. In our opinion, the comparative information presented herein as of and for the year ended March 31, 2017, 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

Our audit was conducted for the purpose of forming an opinion on the Fund's basic financial statements. 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 26, 2018 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 solely 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 the effectiveness of the Fund's 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 26, 2018

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, 2018. 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 basic 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. The *Statement of Cash Flows* shows how changes in balance sheet and income accounts affect cash balances at year end. The notes to the basic financial statements provide additional information that is essential for a full understanding of the information provided in the proprietary fund financial statements.

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, 2018**	**March 31, 2017**	**% Change 2018-2017**
Cash and investments	$189,620	105,677	79.4%
Loans and financing receivables, net	295,342	258,541	14.2%
Other assets	2,083	1,510	37.9%
Total assets	487,045	365,728	33.2%
Deferred outflows of resources	609	1,435	-57.6%
Net pension liability	925	1,583	-41.6%
Other liabilities	578	344	68.0%
Total liabilities	1,503	1,927	-22.0%
Net position - restricted	$486,151	365,236	33.1%

For the year ended March 31, 2018, NY Green Bank continued its focus on execution and asset management across all aspects of its sustainable infrastructure investment business, consistent with comparable established entities with analogous investment activities. This was reflected in additional transaction execution activity in the period, increasing NY Green Bank's Loans and Financing Receivables (hereinafter referred to as "Portfolio Investment(s)"), ongoing business development to maintain a robust pipeline of potential Portfolio Investments, as well as focus on implementing operational platforms, policies and practices consistent with industry best practice.

NY Green Bank has received over $2.6 billion in Portfolio Investment proposals from inception through March 31, 2018. Its active pipeline of potential Portfolio Investments proceeding towards closing was $704.2 million as of March 31, 2018, continuing to be diversified across technology, location, and end-user segments. During the past fiscal year, NY Green Bank closed six new Portfolio Investment transactions totaling $111.4 million, facilitating clean energy development in New York State with an aggregate estimated total project cost in the range of $1.4 billion to $1.6 billion. Through March 31, 2018, NY Green Bank's overall sustainable infrastructure investments since inception totaled $457.5 million. At the same date, NY Green Bank's current portfolio (representing the aggregate dollar value of its sustainable infrastructure investments and comprising deployed as well as committed amounts on that date) was $374.3 million. This is net of all permanent repayments of principal received by NY Green Bank in accordance with the terms of its Portfolio Investments that occurred within the year in the amount of $61.8 million (i.e., does not include paydowns against revolving facilities that remain available for redraw, which aggregated $81.4 million in the fiscal year), and includes capitalized items (e.g., interest and/or fees) to the extent capitalized within the period (i.e., not amounts on account of interest and/or fees that may be capitalized in future periods). Principal repaid, together with net income generated by NY Green Bank becomes immediately available for recycling into further investments, amplifying the positive effects of each dollar of NY Green Bank capital on clean energy markets within the State for the benefit of all New Yorkers.

The 79.4% increase in Cash and Investments reflects that NY Green Bank's portfolio is more established with an increasing volume of investments starting to pay down, and such returned capital being available for recycling into new Portfolio Investment transactions, in addition to funds received on account of further capitalization. NY Green Bank's cash and invested capital balances reflect $478.7 million in funded capitalization received to date. NY Green Bank receives incremental capital contributions through NYSERDA as capital is committed and an additional $521.8 million in capitalization is expected to be provided based on the New York State Public Service Commission's (Commission) approval of $1.0 billion in funded capitalization. In turn, NYSERDA funds these contributions either from a transfer of existing cash and investment balances (of certain Commission authorized programs), or from the Clean Energy Fund (CEF) ratepayer collections held by the electric utilities under the "Bill-As-You-Go" (BAYG) approach, consistent with the Order of the Commission establishing the CEF. NY Green Bank's forecasted liquidity needs are fully addressed through these funded capital contributions, or through the use of a credit facility, if and when required.

As part of U.S. generally accepted accounting standards (GAAP), the Governmental Accounting Standards Board (GASB) requires capital contributions made to NY Green Bank from NYSERDA's available cash and investment balances to be treated as transfers, while those derived directly from the BAYG approach be accounted for as non-operating revenues to NY Green Bank. As a result, additions to NY Green Bank's capital during the fiscal year equal the sum of "Capital contributions" under Non-operating revenues and "Transfers in" on NY Green Bank's Statement of Revenues, Expenses and Changes in Fund Net Position.

The variance in Deferred Outflows of Resources results from a decrease in the actuarially-determined net deferred outflows (i.e., deferred pension expense resulting from actuarial smoothing practices) determined by the New York State and Local Retirement System, of which NY Green Bank, as a proprietary fund of NYSERDA, is required to record its proportionate share relative to all participating employers across the State.

Similar to Deferred Outflows of Resources, the variance in Net Pension Liability also reflects a decrease in the actuarially-determined liability. NY Green Bank, as a proprietary fund of NYSERDA, is required to record its proportionate share of the net pension liability (i.e., unfunded liability) of all employers participating in the New York State and Local Retirement System. Other Liabilities increased 68.0% during the fiscal year, primarily from an increase in accrued operating liabilities.

It is important to note that, consistent with its business model, not all funds that NY Green Bank commits to sustainable infrastructure and clean energy development in the State are intended to be deployed and disbursed immediately, or in some cases, at all, pursuant to executed contractual arrangements. Many NY Green Bank Portfolio Investments relate to distributed generation or energy efficiency finance, which are most commonly focused on funding portfolios of projects. Once a Portfolio Investment of these types 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 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.

Total Assets and Net Position increased by $121.3 million and $120.9 million, respectively. NY Green Bank’s Net Position as of March 31, 2018 was $486.2 million, reflecting the total capitalization of $478.7 million funded through the end of the period, less cumulative operating expenses but adding back cumulative operating revenues and investment income.

	(Amounts in thousands)		
Summary of Changes in Net Position	**March 31, 2018**	**March 31, 2017**	**% Change 2018-2017**
Operating revenues:			
Fees	$2,484	3,399	-26.9%
Loans and financing receivables interest	16,703	5,373	210.9%
Provisions for losses on loans and financing receivables	(844)	-	100.0%
Total operating revenues:	18,343	8,772	109.1%
Operating expenses:			
Salaries and benefits	5,716	4,371	30.8%
Investment related expenses	435	520	-16.3%
Program operating costs	1,152	914	26.0%
General and administrative expenses	920	979	-6.0%
Depreciation	154	124	24.2%
NY State assessments	86	124	-30.6%
Total operating expenses	8,463	7,032	20.3%
Operating income	9,880	1,740	467.8%
Non-operating revenues:			
Capital contributions	9,529	-	100.0%
Investment income	1,354	921	47.0%
Total non-operating revenues	10,883	921	1,081.7%
Income before transfers	20,763	2,661	680.3%
Transfers in	100,152	150,000	-33.2%
Change in net position	120,915	152,661	-20.8%
Net position, beginning of year	365,236	212,575	n/a
Net position, end of year	$486,151	365,236	33.1%

Total Operating Revenues increased $9.6 million (109.1%) from the prior year. The 26.9% decline in fees and 210.9% increase in interest earned from the prior fiscal year reflect the further maturation of NY Green Bank's Portfolio Investments, with interest revenue from existing transactions growing, with less revenue derived from transaction fees.

A Provision for losses on Loans and financing receivables in the amount of $844,000 has been recorded as of March 31, 2018. This represents 0.3% of the total Loans and financing receivables balance at March 31, 2018.

Total Operating Expenses increased $1.4 million (20.3%), most significantly driven by increases in Salaries and Benefits and Program Operating Costs, as discussed below.

Salaries and Benefits, which includes NY Green Bank staff salary expenses ($2.9 million), NYSERDA allocated administrative salary expenses ($1.2 million), and allocated fringe benefit expenses ($1.6 million), increased $1.3 million (30.8%) from the prior year. This occurred due to an increase in NY Green Bank's staffing as well as an increase in the overall pool of allocable expenses of which NY Green Bank pays its pro rata share (which share is calculated based on NY Green Bank's direct staffing costs as a proportion of NYSERDA's program staffing costs).

Investment Related Expenses, which include legal and other costs incurred for various Portfolio Investments, were 16.3% less than the previous year generally reflecting transaction volumes and counterparty reimbursement rates. Program Operating Costs increased $0.2 million (26.0%) due to an increase in professional service expenses (e.g., consultants and temporary employees, including costs of third-party fund administration services).

General and Administrative Expenses, which include allocable costs such as rent, utilities, and insurance declined $0.1 million (6.0%) due to a decrease in the allocable cost as compared to the prior year. Depreciation and NY State Assessments reflect NY Green Bank's allocable share of NYSERDA's depreciation and NYSERDA's cost recovery fee (CRF) assessment from the State of New York, respectively. The dollar amount of the CRF allocation declined due to a decrease in NY Green Bank's pro-rata share for the year, while the dollar amount of depreciation accounted for by NY Green Bank increased in line with an increase in NYSERDA's overall depreciation year-over-year.

Investment Income increased $0.4 million (47.0%), directly reflecting NY Green Bank's higher average investment balance due to capital contributions of $109.7 million and from capital repayments beginning to occur as the Portfolio Investments become more established.

Part of NY Green Bank's establishment involved the authorization of $17.5 million of the initial capitalization of $218.5 million for start-up and administration expenses. At March 31, 2018, NY Green Bank's cumulative (direct and indirect) operating expenses were $25.1 million and for the same period, NY Green Bank's cumulative (operating and non-operating) revenues totaled $32.6 million. Since the $17.5 million in administrative expenses has now been expended, NY Green Bank's ongoing expenses are being met by revenues, with excess revenues being applied to NY Green Bank's Portfolio Investment activities. At March 31, 2018, such excess revenues totaled $25.0 million (i.e., calculated as the sum of $32.6 million and $17.5 million, less cumulative expenses of $25.1 million).

CAPITAL ASSET AND DEBT ADMINISTRATION

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

ECONOMIC AND OTHER MARKET FACTORS

Portfolio investments in, and funding of, clean energy projects may be impacted by a number of factors including, but not limited to, general economic conditions, energy prices, materials and equipment availability and costs, energy system reliability, energy technology advancements, and regulatory and public policy matters both within and beyond New York State.

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 and Chief Financial Officer, NYSERDA, 17 Columbia Circle, Albany, NY 12203.

NY Green Bank
(A Division of the New York State Energy Research and Development Authority)
Statement of Net Position
March 31, 2018
(with comparative totals for March 31, 2017)
(Amounts in thousands)

	March 31, 2018	March 31, 2017
ASSETS:		
Current assets:		
Cash and investments	$189,620	105,028
Third-party billings receivable	212	100
Interest receivable on loans	1,871	1,410
Loans and financing receivables due within one year, net	48,688	30,540
Total current assets	240,391	137,078
Non-current assets:		
Investments	-	649
Loans and financing receivables - long term, net	246,654	228,001
Total non-current assets	246,654	228,650
Total assets	487,045	365,728
DEFERRED OUTFLOWS OF RESOURCES	609	1,435
LIABILITIES:		
Current liabilities:		
Accrued liabilities	503	134
Counterparty deposits	50	-
Escrow deposits	25	210
Total current liabilities	578	344
Non-current liabilities:		
Net pension liability	925	1,583
Total liabilities	1,503	1,927
NET POSITION:		
Net position restricted for specific programs	$486,151	365,236

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, 2018
(with comparative totals for March 31, 2017)
(Amounts in thousands)

	March 31, 2018	March 31, 2017
OPERATING REVENUES:		
Closing fees	$1,596	3,026
Undrawn fees	376	250
Administrative fees	55	40
Other fees	457	83
Loans and financing receivables interest	16,703	5,373
Provision for losses on loans and financing receivables	(844)	-
Total operating revenues	18,343	8,772
OPERATING EXPENSES:		
Salaries and benefits	5,716	4,371
Investment related expenses	435	520
Program operating costs	1,152	914
General & administrative expenses	920	979
Depreciation	154	124
NY State assessments	86	124
Total operating expenses	8,463	7,032
OPERATING INCOME	9,880	1,740
NON-OPERATING REVENUES:		
Capital contributions	9,529	-
Investment income	1,354	921
Total non-operating revenues	10,883	921
INCOME BEFORE TRANSFERS	20,763	2,661
Transfers in	100,152	150,000
Change in net position	120,915	152,661
Net position, beginning of year	365,236	212,575
Net position, end of year	$486,151	365,236

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, 2018
(with comparative totals for March 31, 2017)
(Amounts in thousands)

	March 31, 2018	March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Closing fees collected	$1,596	2,951
Undrawn fees collected	311	238
Administrative fees collected	55	40
Other fees collected	457	80
Loans and financing receivables interest collected	16,243	4,047
Receipt of counterparty deposits	50	-
Disbursement of escrow deposits	(185)	-
Payments to employees & employee benefit providers	(5,548)	(4,179)
Payments to suppliers	(2,187)	(2,281)
Payment for allocated depreciation	(154)	(124)
Payments to NYS	(85)	(124)
Loans and financing receivables deployed	(180,872)	(328,339)
Loans and financing receivables principal repayments	143,227	79,811
Net cash used in operating activities	(27,092)	(247,880)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Capital contributions	9,529	-
Transfers in	100,152	150,000
Net cash provided by non-capital financing activities	109,681	150,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(494,866)	(331,215)
Proceeds from sale of investments	424,641	426,773
Investment income	1,208	2,578
Net cash (used in) provided by investing activities	(69,017)	98,136
Net change in cash:	13,572	256
Cash and cash equivalents, beginning of year	3,624	3,368
Cash and cash equivalents, end of year	$17,196	3,624
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income	$9,880	1,740
Adjustments to reconcile operating income to net cash used in operating activities:		
Increase in third party billings receivable	(112)	(91)
Increase in interest receivable	(461)	(1,327)
Increase in loans and financing receivables	(36,801)	(248,528)
Increase in accrued liabilities	369	134
Increase in counterparty deposits	50	-
Decrease in escrow deposits	(185)	-
Net change in pension related accounts	168	192
Net cash used in operating activities	($27,092)	(247,880)

See accompanying notes to the basic financial statements.

Notes to Basic Financial Statements
March 31, 2018

(1) GENERAL

The $1.0 billion NY Green Bank was established to attract private sector capital to accelerate clean energy deployment in New York State (NYS or the State). To date, NY Green Bank has participated in transactions by providing: construction and longer-term post-construction financing and investment, financing to enable developers to aggregate smaller distributed assets into portfolios at scale, and credit enhancements.

NY Green Bank works to increase the size, volume, and breadth of clean energy and sustainable infrastructure investment activity throughout the State, expand the base of investors focused on NYS clean energy, and increase clean energy participants' access to capital. To do so, NY Green Bank collaborates with the private sector to develop transaction structures and methodologies that overcome typical clean energy investment barriers, such as challenges in evaluating risk and addressing the needs of distributed energy and efficiency projects where underwriting may be geared more towards larger projects and/or groups of somewhat homogeneous investment opportunities.

NY Green Bank focuses on opportunities that create attractive precedents, standardized practices, and roadmaps that capital providers can willingly replicate and scale. As funders "crowd in" to a particular area within the sustainable infrastructure and clean energy landscape, NY Green Bank moves on to other areas that have attracted less investor interest.

As a key component of New York's Clean Energy Fund (CEF), NY Green Bank is structured to be self-sustaining in that it must ultimately cover its own costs of operation. The CEF is a $5.3 billion commitment, representing part of Governor Andrew M. Cuomo's Reforming the Energy Vision (REV) strategy to advance clean energy growth and innovation and drive economic development across the State while reducing ratepayer collections.

NY Green Bank 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. NYSERDA is included in the State's basic financial statements as a component unit.

Pursuant to a December 2013 Order of the NYS Public Service Commission (Commission), initial funding of $165.6 million was made available to NY Green Bank 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 NY Green Bank, to be funded from certain uncommitted ratepayer program funds, subject to specified triggers. This further capital installment was received by NY Green Bank in August 2016, at which time its funded capital increased to $368.5 million.

The January 2016 CEF Order confirmed NY Green Bank's authorized capital at $1.0 billion and allocated incremental collections in varying amounts from 2016 through 2025 for the remaining $631.5 million of NY Green Bank's $1.0 billion capitalization, but also required a "Bill-As-You-Go" (BAYG) approach. The CEF Order also authorized the establishment of an external credit facility with a pledge of the incremental collections if and when necessary to meet NY Green Bank's future liquidity and capital deployment needs.

Pursuant to BAYG, NY Green Bank receives incremental capital contributions through NYSERDA upon executing new commitments of the authorized capital. In turn, NYSERDA funds these contributions either from a transfer of existing cash and investment balances (of certain Commission authorized programs), or from the CEF ratepayer collections held by the electric utilities. As part of U.S. generally accepted accounting standards (GAAP), the Governmental Accounting Standards Board (GASB) requires capital contributions made to NY Green Bank from NYSERDA's available cash and investment balances to be treated as transfers, while those derived directly from the BAYG approach be accounted for as non-operating revenues to NY Green Bank. As a result, additions to NY Green Bank's capital during the fiscal year equal the sum of "Capital contributions" under Non-operating revenues and "Transfers in" on NY Green Bank's Statement of Revenues, Expenses and Changes in Fund Net Position.

(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. NY Green Bank's 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 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.

Net position restricted for specific programs in the proprietary fund financial statements is defined as the amount of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.

The accompanying financial statements present only the activities of NY Green Bank and the results of its operations in conformity with GAAP and are not intended to present the financial position of NYSERDA. 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, 2017 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. Expenses are recognized when incurred.

(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 (e.g., administrative salary expense, fringe benefit expense, and general and administrative expense) that 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. The administrative salary and fringe benefit expenses allocated to NY Green Bank are included in Salaries and Benefits Expense. General and

Administrative Expense includes costs 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.

(h) Loans and financing receivables

Loans and financing receivables are recorded at their cost basis, less any provision for losses, established on individual loans and financing receivables where it is deemed probable that NY Green Bank will be unable to collect amounts due under contractual terms by NY Green Bank's Investment & Risk Committee.

(g) Capital assets

NY Green Bank does not maintain capital assets on its Statement of Net Position, 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.

(h) Deferred outflows of resources

Deferred outflows of resources as presented represent a consumption of net assets applicable to a future reporting period, less deferred inflows of resources, which are defined as an acquisition of net assets applicable to a future reporting period. Deferred outflows of resources include differences between expected projected results and actual results related to NY Green Bank's allocated portion of NYSERDA's proportionate share of the New York State and Local Retirement System cost-sharing retirement plan, as well as an allocated portion of retirement plan contributions subsequent to the measurement date.

(i) 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.

(j) Use of estimates

The preparation of financial statements in conformity with GAAP 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.

(2) CASH AND INVESTMENTS

Pursuant to Public Authorities Law Section 1859(1), the Commissioner of the New York State Department of Taxation and Finance (Fiscal Agent) serves as fiscal agent for NYSERDA's cash and investments, maintaining such funds on NYSERDA's behalf and implementing investments subject to the Fiscal Agent's policies and with direction and authorization from NYSERDA. NY Green Bank investments are subject to an investment policy approved by NYSERDA's Board. 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 U.S. government and certain of their agencies, repurchase agreements subject to certain limitations, and money market funds subject to certain limitations.

The following schedule presents NY Green Bank's cash and investments as of March 31, 2018. Fair value is measured using quoted market prices for U.S. government obligations. GASB No. 72 prescribes three approaches to measuring fair value and requires a government to use valuation techniques consistent with one or more of these approaches. The standard establishes a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs – other than quoted prices included within Level 1 - that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. All NY Green Bank investments are valued based on Level 1 inputs.

	Fair Value	% of Total	Weighted Average Maturity (months)
Cash and money market	17,196	9.1	n/a
U.S. Treasury Bills	171,770	90.6	2.1
U.S. Treasury Strips	654	0.3	5.2
Total	$189,620	100.0	2.1
Current portion thereof	$189,620		

Interest Rate Risk. NYSERDA’s 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 Fiscal Agent. As of March 31, 2018, 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 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 Fiscal Agent’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, but not in the name of NYSERDA.

Fixed income investments owned directly by NYSERDA including those held on behalf of NY Green Bank, which trade in the 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 committed capital as of March 31, 2018:

(Amounts in thousands)

Cash and Investments	Committed Capital
$189,620	$78,154

NY Green Bank's investment portfolio at any time consists of two components: committed capital and deployed capital. Committed capital relates to clean energy/sustainable infrastructure investments that NY Green Bank has legally executed, but where capital has not yet been deployed. This is supplemented by capital that has been deployed into NY Green Bank's clean energy transactions, pursuant to the terms of those arrangements. At March 31, 2018, NY Green Bank committed capital was $78.1 million and deployed capital was $296.2. million, as discussed further in note 4.

(4) LOANS AND FINANCING RECEIVABLES

Loans and financing receivables consist of sustainable infrastructure investments made by NY Green Bank 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: construction finance, construction finance & term loan, term loans & investments (which may be debt or equity), warehousing/aggregation, 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.

$0.8 million has been recorded for impairment to the reported value of Loans and financing receivables as of March 31, 2018.

Loans and financing receivables at March 31, 2018 include the following:

(Amounts in thousands)

	Number of Transactions	Loans and Financing Receivables Outstanding	Undrawn Balance
Construction Finance	1	$13,676	$6,860
Construction Finance & Term Loan	5	26,151	-
Term Loan & Investments	10	163,397	20,047
Warehousing /Aggregation	8	92,962	45,793
Total business-type activities/proprietary fund	24	296,186	$72,700
Provision for losses on loans and financing receivables		(844)	
Net total business-type activities/proprietary fund		$295,342	

The table above does not include the two Credit Enhancement products in NYGB's portfolio, which sum to $5.5 million, discussed further in note 6.

Loans and financing receivables at March 31, 2018 mature as follows:

(Amounts in thousands)

Fiscal year ending March 31,	Construction Finance	Construction Finance & Term Loan	Term Loan & Investments	Warehousing /Aggregation	Total
2019	$-	1,150	26,997	21,385	49,532
2020	13,676	1,707	24,018	-	39,401
2021	-	1,262	33,672	34,033	68,967
2022	-	1,388	45,502	586	47,476
2023	-	1,476	10,206	13,626	25,308
2024-2028	-	13,626	17,600	23,332	54,558
2029-2033	-	3,381	4,919	-	8,300
2034-2038	-	2,161	483	-	2,644
Total	$13,676	26,151	163,397	92,962	296,186

5) NON-CURRENT LIABILITIES

NYSERDA and NY Green Bank adopted GASB Statement No. 68*, Accounting and Financial Reporting for Pensions* (GASB 68) in the fiscal year ended March 31, 2016. GASB 68 requires the recognition by NYSERDA and, in turn, NY Green Bank, of its proportionate share of the net pension liability of the New York State and Local Employees' Retirement System, which is defined as the total pension liability less the plan's fiduciary net position.

NY Green Bank's non-current liability represents the share of NYSERDA's net pension liability which is expected to be paid by NY Green Bank. Pension-related deferred outflows of resources are recognized by NY Green Bank to the extent they relate to NY Green Bank's share of the total amount recognized by NYSERDA as a whole.

Non-current liability activity for the year ended March 31, 2018 was as follows:

(Amounts in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance
Net pension liability	$1,583	632	(1,290)	925

(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.

<u>Credit Enhancements</u>
As of March 31, 2018, 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.

In May 2014, NY Green Bank provided Energy Improvement Corporation (EIC), a NYS Local Development Corporation and a non-profit organization established to assist municipalities and commercial property owners achieve long-term energy savings and reduce overall energy consumption with a \$500,000 Irrevocable Standby Letter of Credit ("LC No. 1") serving two purposes: providing the federal credit support required by the NYS Property Assessed Clean Energy (PACE) enabling legislation and protecting municipalities from absolute loss if proceeds from the eventual liquidation and sale of a defaulted property were less than the property owner's outstanding PACE loan balance.

In December 2015, NY Green Bank provided EIC with a second Irrevocable Standby Letter of Credit ("LC No. 2") in the amount of \$5.0 million to help establish a reserve fund to support participating municipalities' obligations to pay PACE debt service to EIC if collections of PACE charges are insufficient, whether due to late payment or default by the property owner.

Any draws made on LC No. 1 or LC No. 2 would be due to be repaid pursuant to the terms of the agreements with EIC.

(7) TRANSFERS

Transfers in represents additional capitalization of \$100.2 million from NYSERDA pursuant to the CEF Order, as further discussed in note 1.