

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

FINANCIAL STATEMENTS

March 31, 2020

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RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, integrity and objectivity of the financial statements 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 the Authority for the fiscal year ended March 31, 2020 were prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP). The Board of the Authority (the Board) adopted these financial statements and the Annual Report at a meeting on June 23, 2020.

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.

The Authority's financial statements have been audited by KPMG LLP, independent auditors appointed by the Members of the Authority. Management has made available to the independent auditors all the financial records and related data of the Authority, 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. GAAP.



Alicia Barton
President and Chief Executive Officer



Jeffrey J. Pitkin
Treasurer and Chief Financial Officer



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, 2020, 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, 2020, 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, 2020, 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 2019 financial statements of NY Green Bank, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2019. In our opinion, the comparative information presented herein as of and for the year ended March 31, 2019, 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, 2020 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, 2020

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, 2020
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, 2020. 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 that are reported for some items 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.

Summary of Net Position	<i>(Amounts in thousands)</i>		% Change 2020-2019
	March 31, 2020	March 31, 2019	
Cash and investments	\$164,361	\$269,374	(39.0)%
Loans and financing receivables, net	441,559	299,430	47.5%
Other assets	3,207	2,438	31.5%
Total assets	609,127	571,242	6.6%
Deferred outflows of resources	1,527	1,955	(21.9)%
Net pension liability	885	234	278.2%
Net OPEB liability	528	485	8.9%
Other liabilities	2,361	2,494	(5.3)%
Total liabilities	3,774	3,213	(17.5)%
Deferred inflows of resources	486	1,529	(68.2)%
Net position - restricted	\$606,394	\$568,455	6.7%

For the year ended March 31, 2020, 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

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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 and maintaining operational platforms, policies and practices consistent with industry best practice.

NY Green Bank has received over \$4.1 billion in Portfolio Investment proposals from inception through March 31, 2020. Its active pipeline of potential Portfolio Investments proceeding towards closing was \$757.4 million as of March 31, 2020, continuing to be diversified across technology, location, and end-user segments. During the past fiscal year, NY Green Bank closed fifteen new Portfolio Investment transactions totaling \$222.3 million. Through March 31, 2020, NY Green Bank's overall sustainable infrastructure investments since inception totaled \$959.9 million, facilitating clean energy development in New York State with an aggregate estimated total project cost in the range of \$2.1 billion to \$2.6 billion. 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 \$584.7 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 \$59.4 million (i.e., does not include paydowns against revolving facilities that remain available for redraw, which aggregated \$56.9 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 39.0% decrease in Cash and Investments reflects that NY Green Bank's Portfolio is more established with a 47.5% increase to loans and financing receivables as well as recycled capital being committed for new Portfolio Investment transactions. NY Green Bank's cash and invested capital balances reflect \$619.3 million in funded capitalization received to date. NY Green Bank receives incremental capital contributions through NYSERDA as capital is committed (taking into account projected liquidity needs) and an additional \$381.2 million in capitalization is authorized to be provided based on the New York State Public Service Commission's (Commission) authorization of \$1.0 billion in total 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 Commission Order 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 principles (U.S. 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-Capital Contributions (Redemptions)" on NY Green Bank's Statement of Revenues, Expenses and Changes in Fund Net Position.

The variance in Deferred Outflows and Inflows of Resources and Net Pension and OPEB Liabilities results from changes in the actuarially-determined amounts determined through separate actuarial valuations, of which NY Green Bank, as a proprietary fund of NYSERDA, is required to record its proportionate share of NYSERDA actuarially determined amounts. Other Liabilities decreased (5.3)% during the fiscal year, primarily from a decrease in operating liabilities offset by an increase in borrower deposits.

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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 both increased by \$37.9 million during the current fiscal year. NY Green Bank's Net Position as of March 31, 2020 was \$606.4 million, reflecting the total capitalization of \$619.3 million funded through the end of the period (including \$17.5 million as part of its initial funded capitalization authorized for start-up administration expense until such costs could be funded from revenues), less \$52.9 million of NYSEERDA capital redemptions, plus \$40.0 million in cumulative revenues in excess of cumulative expenses. The \$52.9 million capital redemption reflects a portion of NY Green Bank's initial capitalization funded from Regional Greenhouse Gas Initiative revenues repurposed by NYSEERDA to provide funding to support NYSEERDA's statewide energy storage initiative.

Summary of Changes in Net Position	<i>(Amounts in thousands)</i>		
	March 31, 2020	March 31, 2019	% Change 2020-2019
Operating revenues:			
Fees	\$3,347	\$3,947	(15.2)%
Loans and financing receivables interest	18,612	15,253	22.0%
Provisions for losses on loans and financing receivables	-	(388)	100%
Total operating revenues:	<u>21,959</u>	<u>18,812</u>	<u>16.7%</u>
Operating expenses:			
Salaries and benefits	7,484	6,421	16.6%
Investment related expenses	399	456	(12.5)%
Other operating costs	1,277	765	66.9%
General and administrative expenses	1,247	1,100	13.4%
Depreciation	189	184	2.7%
NY State assessments	112	125	(10.4)%
Total operating expenses	<u>10,708</u>	<u>9,051</u>	<u>18.3%</u>
Operating income	11,251	9,761	15.3%
Non-operating revenues:			
Capital contributions	20,678	119,882	(82.8)%
Investment income	6,224	7,223	(13.8)%
Total non-operating revenues	<u>26,902</u>	<u>127,105</u>	<u>(78.8)%</u>
Non-operating expenses:			
Capital expansion	44	1,425	(96.9)%
Program evaluation	170	211	(19.4)%
Total non-operating expenses	<u>214</u>	<u>1,636</u>	<u>(86.9)%</u>
Income before transfers	37,939	135,230	(71.9)%
Transfers - capital contributions (redemptions)	-	(52,926)	100.0%
Change in net position	37,939	82,304	53.9%
Net position, beginning of year	568,455	486,151	16.9%
Net position, end of year	<u>\$606,394</u>	<u>\$568,455</u>	<u>6.7%</u>

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Total Operating Revenues increased \$3.1 million (16.7)% from the prior year. While NY Green Bank closed the same number of transactions during the fiscal year as in the prior year, total dollar commitments were lower, which drove a 15.2% decrease in fees. An increase in loans and financing receivables interest of 22.0% reflects the increased number of transactions in NY Green Bank's Investment Portfolio over the prior year.

Total Operating Expenses increased \$1.7 million (18.3)%, most significantly driven by increases in Salaries and Benefits; these and other costs are discussed below.

Salaries and Benefits, which include NY Green Bank staff salary expenses (\$3.6 million), NYSERDA allocated administrative salary expenses (\$1.6 million), and allocated fringe benefit expenses (\$2.2 million), increased \$1.1 million (16.6%) from the prior year. This occurred due to an increase in NY Green Bank's staffing consistent with plan as well as an increase in the overall pool of allocable expenses of which NY Green Bank pays its pro rata share (which 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 12.5% less than the previous year, which generally reflects transaction volumes and counterparty reimbursement rates. Other Operating Costs increased \$0.5 million (66.9%) due to increase in professional service expenses (e.g., consultants and temporary employees).

General and Administrative Expenses, which include allocable costs such as rent, utilities, and insurance increased \$0.1 million (13.4%) due to an increase in the allocable cost as compared to the prior year, generally as a result of the increase in salary costs. 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. Depreciation increased and NY State Assessments decreased from the prior year.

Investment Income decreased \$1.0 million (13.8%). This was driven by NY Green Bank's greater deployment into transactions during the fiscal year of on-hand capital, operating income generated, and principal repayments received.

Non-operating expenses decreased \$1.4 million, primarily due to the decrease in capital advisory costs from the prior year.

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.

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COVID-19 IMPACTS

In response to the COVID-19 health crisis, NY Green Bank moved its workforce to work remotely effective March 16, 2020 and was able to maintain effective communications and carry out its activities without any disruption through March 31, 2020. NY Green Bank's Loans and Financing Receivables provide credit facilities to 27 counterparties, many of whom were impacted by the "New York State on Pause" Executive Order which directed non-essential businesses in New York State to close in-office personnel functions effective March 22, 2020. These organizations will be eligible to resume operations after March 31, 2020 in accordance with Federal, State and local government guidelines. Given the timing of the suspension of programmatic activities, this did not materially impact programmatic activities and accomplishments for the fiscal year ended March 31, 2020. From the start of remote working through the end of the fiscal year, NY Green Bank closed on \$40.7 million in transactions, demonstrating continued support for its counterparties. The COVID-19 health crisis had limited impacts on certain financial performance for the fiscal year ended March 31, 2020, but has not had a material impact on the financial condition of NY Green Bank as of March 31, 2020.

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
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Statement of Net Position
March 31, 2020
(with comparative totals for March 31, 2019)
(Amounts in thousands)

	March 31, 2020	March 31, 2019
<u>ASSETS:</u>		
Current assets:		
Cash and investments	\$ 164,361	174,576
Third-party billings receivable	35	174
Interest receivable on loans	3,172	2,264
Loans and financing receivables due within one year, net	55,823	33,310
Total current assets	223,391	210,324
Non-current assets:		
Investments	-	94,798
Loans and financing receivables- long term, net	385,736	266,120
Total non-current assets	385,736	360,918
Total assets	609,127	571,242
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	 1,527	 1,955
<u>LIABILITIES:</u>		
Current liabilities:		
Accounts payable	29	-
Accrued liabilities	227	671
Escrow deposits	2,105	1,823
Total current liabilities	2,361	2,494
Non-current liabilities:		
Net pension liability	885	234
Net OPEB liability	528	485
Total non-current liabilities	1,413	719
Total liabilities	3,774	3,213
 <u>DEFERRED INFLOWS OF RESOURCES</u>	 486	 1,529
<u>NET POSITION:</u>		
Net position restricted for specific programs	\$ 606,394	568,455

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, 2020
 (with comparative totals for March 31, 2019)
 (Amounts in thousands)

	March 31, 2020	March 31, 2019
<u>OPERATING REVENUES:</u>		
Closing fees	\$ 2,528	2,993
Undrawn fees	572	382
Administrative fees	103	68
Other fees	144	504
Loans and financing receivables interest	18,612	15,253
Provisions for losses on loans & financing receivables	-	(388)
Total operating revenues	21,959	18,812
<u>OPERATING EXPENSES:</u>		
Salaries and benefits	7,484	6,421
Investment related expenses	399	456
Other operating costs	1,277	765
General & administrative expenses	1,247	1,100
Depreciation	189	184
NY State assessments	112	125
Total operating expenses	10,708	9,051
OPERATING INCOME	11,251	9,761
<u>NON-OPERATING REVENUES:</u>		
Capital contributions	20,678	119,882
Investment income	6,224	7,223
Total non-operating revenues	26,902	127,105
<u>NON-OPERATING EXPENSES:</u>		
Capital expansion	44	1,425
Program evaluation	170	211
Total non-operating expenses	214	1,636
INCOME BEFORE TRANSFERS	37,939	135,230
Transfers- capital contributions (redemptions)	-	(52,926)
Change in net position	37,939	82,304
Net position, beginning of year	568,455	486,151
Net position, end of year	\$ 606,394	568,455

See accompanying notes to the basic financial statements.

NY Green Bank
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Statement of Cash Flows
For the year ended March 31, 2020
(with comparative totals for March 31, 2019)
(Amounts in thousands)

	March 31, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Closing fees collected	\$ 2,588	2,993
Undrawn fees collected	581	450
Administrative fees collected	93	68
Other fees collected	210	475
Loans and financing receivables interest collected	17,694	14,862
Disbursement of counterparty deposits	-	(50)
Receipt of escrow deposits	282	1,798
Payments to employees & employee benefit providers	(7,405)	(6,444)
Payments to suppliers	(3,508)	(2,367)
Payment for allocated depreciation	(189)	(184)
Payments to NYS	(112)	(125)
Loans and financing receivables deployed	(258,384)	(184,150)
Loans and financing receivables principal repayments	116,279	179,674
Net cash (used in) provided by operating activities	<u>(131,871)</u>	<u>7,000</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Capital contributions	20,678	119,882
Transfers- capital contributions (redemptions)	-	(52,926)
Capital expansion	(44)	(1,425)
Net cash provided by non-capital financing activities	<u>20,634</u>	<u>65,531</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(412,379)	(810,281)
Proceeds from sale of investments	507,973	739,942
Investment income	5,895	4,891
Net cash provided by (used in) investing activities	<u>101,489</u>	<u>(65,448)</u>
NET CHANGE IN CASH and CASH EQUIVALENTS:		
	(9,748)	7,083
Cash and cash equivalents, beginning of year	24,279	17,196
Cash and cash equivalents, end of year	<u>\$ 14,531</u>	<u>24,279</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$11,251	9,761
Adjustments to reconcile operating income to net cash (used in) provided by operating activities:		
Decrease in third party billings receivable	139	38
Increase in interest receivable	(908)	(393)
Increase in loans and financing receivables	(142,129)	(4,088)
Increase in accounts payable	29	-
(Decrease) increase in accrued liabilities	(444)	168
Decrease in counterparty deposits	-	(50)
Increase in escrow deposits	282	1,798
Net change in pension & OPEB related accounts	79	(23)
Non-operating expenses unrelated to financing activities	(170)	(211)
Net cash (used in) provided by operating activities	<u>(\$131,871)</u>	<u>7,000</u>

See accompanying notes to the basic financial statements.

Notes to Basic Financial Statements
March 31, 2020

(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 various Orders of the NYS Public Service Commission (Commission), the Commission authorized a total of \$1 billion in funded capitalization for NY Green Bank. 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, an approach known as "Bill As You Go" (BAYG). As of March 31, 2020, total ratepayer funded capitalization provided to NY Green Bank was \$618.8 million, resulting in an unfunded amount of \$381.2 million that will be subsequently provided through BAYG.

As part of U.S. generally accepted accounting principles (U.S. 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.

Notes to Basic Financial Statements
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(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 U.S. 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 U.S. GAAP. Accordingly, such information should be read in conjunction with NY Green Bank's financial statements for the year ended March 31, 2020 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.

Notes to Basic Financial Statements
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(f) Loans and financing receivables

Loans and financing receivables are recorded at their cost basis. A provision for losses is established on any individual loan and financing receivable which:(i) is delinquent by more than 120 days on payment of principal or interest obligations; and (ii) indicates a deficiency in the present value of expected cash flows discounted at its effective interest rate, or a deficiency in the valuation of its collateral, as compared to its outstanding balance plus any accrued interest receivable. For the fiscal year ended March 31, 2019 provision for losses was \$0.4 million and is reflected as a reduction of Loans and financing receivables interest on the Statement of Revenues, Expenses and Changes in Fund Net Position. There was no provision for losses for the fiscal year ended March 31, 2020.

(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 and deferred inflow of resources

Deferred outflows of resources as presented represent a consumption of net assets applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets applicable to a future reporting period. Deferred outflows of resources and deferred inflow of resources include differences between expected projected results and actual results related to NY Green Bank's allocated portion of NYSERDA's net pension and net OPEB liabilities, 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 U.S. 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.

(k) Reclassifications

Certain amounts reported as of and for the fiscal year ended March 31, 2019 have been reclassified to conform with the amounts presented as of and for the fiscal year ended March 31, 2020.

(3) 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.

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The following schedule presents NY Green Bank's cash and investments as of March 31, 2020. Fair value is measured using quoted market prices for U.S. government obligations. GASB Statement No. 72, *Fair Value Measurement and Application*, 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.

		<u>Fair Value</u>	<u>% of Total</u>	<u>Weighted Average Maturity (months)</u>
Cash and equivalents	\$	14,531	8.8	N/A
U.S. Treasury Bills		53,730	32.7	5.6
U.S. Treasury Strips		96,100	58.5	<u>2.7</u>
Total	\$	164,361	100.0	<u>3.7</u>
Current Portion	\$	<u>164,361</u>		

In addition to being subject to NYSERDA's investment policy, NY Green Bank is also subject to the same interest rate risk, concentration of credit risk, custodial credit risk for deposits, and custodial credit risks for investments.

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, 2020, 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.

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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, 2020:

(Amounts in thousands)

<u>Cash and Investments</u>	<u>Committed Capital</u>
\$164,361	\$143,399

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, 2020, NY Green Bank committed capital was \$143.4 million and deployed capital was \$441.6 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.

Loans and financing receivables at March 31, 2020 include the following:

	<u>Number of Transactions</u>	<i>(Amounts in thousands)</i> <u>Loans and Financing Receivables Outstanding</u>
Construction Finance	8	\$ 93,300
Construction Finance & Term Loan	6	34,191
Term Loan & Investments	18	247,391
Warehousing /Aggregation	<u>5</u>	<u>66,677</u>
Total	<u>37</u>	<u>\$ 441,559</u>

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**Notes to Basic Financial Statements
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Loans and financing receivables at March 31, 2020 mature as follows:

(Amounts in thousands)

Fiscal year ending <u>March 31</u>	Construction <u>Finance</u>	Construction Finance & <u>Term Loan</u>	Term Loan & <u>Investments</u>	Warehousing <u>/Aggregation</u>	<u>Total</u>
2021	\$ 33,632	1,088	3,366	17,737	\$ 55,823
2022	32,371	1,232	66,675	8,923	109,201
2023	1,072	1,381	36,604	12,034	51,091
2024	12,142	1,503	8,255	20,478	42,378
2025	40	1,636	16,172	7,505	25,353
2026-2030	14,043	20,557	104,736	-	139,336
2031-2035	-	6,794	11,100	-	17,894
<u>2036-2040</u>	-	-	<u>483</u>	-	<u>483</u>
Total	<u>\$ 93,300</u>	<u>34,191</u>	<u>247,391</u>	<u>66,677</u>	<u>\$ 441,559</u>

(5) NON-CURRENT LIABILITIES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (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.

NYSERDA and NY Green Bank implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Plans Other than Pensions* (GASB 75), for the fiscal year ended March 31, 2019.

NY Green Bank's non-current liability represents the share of NYSERDA's net pension liability and net OPEB liability which is expected to be paid by NY Green Bank. Pension and OPEB related deferred outflows of resources and deferred inflows 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, 2020 was as follows:

(Amounts in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Net pension liability	\$234	1,873	(1,222)	885
Net OPEB liability	<u>485</u>	<u>677</u>	<u>(634)</u>	<u>528</u>
Total non-current liabilities	<u>\$719</u>	<u>2,550</u>	<u>(1,856)</u>	<u>1,413</u>

Notes to Basic Financial Statements
March 31, 2020

(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.

Contingent Obligations

As of March 31, 2020, NY Green Bank has entered into three credit contracts 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 the respective agreement is triggered. The amount of contingent obligations as of March 31, 2020 totaled approximately \$2.6 million.

Any draws made on the above contingent obligations would be due to be repaid pursuant to the terms of their respective agreements.

(7) SUBSEQUENT EVENTS

The COVID-19 outbreak is disrupting supply chains and affecting operations and the financial condition across a range of industries, including the clean energy sector. The extent of the impact of COVID-19 on NY Green Bank's operational and financial performance will depend on certain developments, including but not limited to the duration and spread of the outbreak, impact on our employees, impact on program partners and contractors, State policy directives, and actions by the Public Service Commission which may adjust current program activities, all of which are uncertain and cannot be predicted. As of June 26, 2020, the issuance date of the financial statements, the extent to which COVID-19 may impact NY Green Bank's future programmatic activities and accomplishments is uncertain, and is likely to impact future financial performance against previously established budgets, but is not likely to have a material adverse impact on NY Green Bank's financial condition.

(8) TRANSFERS – CAPITAL CONTRIBUTIONS (REDEMPTIONS)

Transfers for the year ending March 31, 2019 represent a \$52.9 million capital redemption of NY Green Bank's initial capitalization funded from Regional Greenhouse Gas Initiative revenues repurposed by NYSERDA to provide funding to support NYSERDA's statewide energy storage initiative. There were no transfers for the year ending March 31, 2020.