NY Green Bank

Metrics, Reporting & Evaluation

Annual Financial Metrics Report No. 9

(April 1, 2022 - March 31, 2023)

Case 13-M-0412

June 30, 2023

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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 3.1) filed with the Commission on May 2, 2022 (the "**Metrics Plan**").[1]

The purpose of this Report is to provide information of NYGB's financial performance in its most recent fiscal year, from April 1, 2022, through March 31, 2023 ("**FY 2022 – 23**"). In addition to annual metrics defined in the Metrics Plan, this report incorporates NYGB's audited annual financial statements for FY 2022 – 23 in Schedule 1, including Management Discussion and Analysis ("**MD&A**") and all notes to the financial statements.

During FY 2022 – 23, NYGB continued its focus on execution and asset management across all aspects of its clean energy and sustainable infrastructure investment business. NYGB has received over $6.4 billion in investment proposals from Inception[2] through March 31, 2023. Its Active Pipeline was $405.3 million as of March 31, 2023, and remains diversified across technology, location, and end-user segments.

During FY 2022 – 23, NYGB committed $252 million across 16 transactions to investments within the State's clean energy and sustainable infrastructure markets, exceeding its goal of $225 million. 22% of NYGB's commitments over the period from January 1, 2020, to March 31, 2023, are expected to benefit disadvantaged communities ("**DACs**"), including $85 million of commitments made during FY 2022 – 23. NYGB also made progress on its 2025 public commitment targets to deploy capital into affordable housing, building decarbonization, clean transportation, and energy storage technologies, including closing its first transaction incentivizing the widespread adoption of electric vehicles. During the third quarter of FY 2022 – 23 (October 1, 2022, to December 31, 2022), NYGB had its second strongest quarter since inception, closing nine transactions, representing more than $188 million in capital commitments. Through March 31, 2023, NYGB's overall sustainable infrastructure investments since Inception totaled $1.9 billion, facilitating clean energy development in New York State ("**NYS**" or the "**State**") with an aggregate estimated total project costs of $5.5 billion. At March 31, 2023, NYGB's Current Portfolio was $857.5 million, across a variety of technology types, resulting in the most diversified portfolio NYGB has managed to date.

The 2022 – 23 Plan Year represented a volatile year in global financial markets, and NYGB remained a stable source of capital for NYS sustainable infrastructure and clean energy investments. During FY 2022 – 23, NYGB earned more income than any other fiscal year period since inception and maintained a record volume of deployed funds, an average balance of $563 million. Due to an increase in the average capital deployed and higher interest rate environment, NYGB earned $35.3 million in net income, which is now available for reinvestment into new clean energy and sustainable infrastructure investments in NYS.

NYGB continues to build, maintain and plan for a sizeable Investment Portfolio over the near and medium terms that meets NYGB's mission and key investment criteria. To that end, NYGB focused its efforts in FY 2022 – 23 on investment origination, credit underwriting and execution, risk management practices and procedures, staff and critical infrastructure development, impact metrics estimation, reporting and evaluation and stakeholder engagement, while continuing to improve its operational frameworks. All of these activities were complemented by an expanded focus on advancing NYGB's work to support DACs, driven and informed by an extensive stakeholder engagement process. Simultaneously, NYGB activities continue to generate energy and environmental impact benefits that contribute to the primary Clean Energy Fund ("**CEF**") objectives of GHG emissions reductions, customer bill savings, energy efficiency, clean energy generation and mobilization of private sector capital.[3]

NYS has continued to expand its clean energy goals since the Inception of NYGB and the CEF, including

[1] Case 13-M-0412, "NY Green Bank – Metrics, Reporting & Evaluation Plan", dated May 2, 2022, available at https://greenbank.ny.gov/-/media/Project/Greenbank/Files/2022-05-Metrics-Reporting--and-Evaluation-Plan-v3-1.

[2] "**Inception**" means the inception of NYGB pursuant to, and as of the date of, the Initial Capitalization Order in December 2013. Case 13-M-0412, "Order Establishing New York Green Bank and Providing Initial Capitalization", issued and effective December 19, 2013 (the "**Initial Capitalization Order**"), available at https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7BBD3AAFB0-FAA2-4DA6-B56B-0FF22EE34EDF%7D.

[3] As set out in the CEF Order (Cases 14-M-0094 et al.) issued and effective on January 21, 2016, page 40, available at http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7bB23BE6D8-412E-4C82-BC58-9888D496D216%7d.

enactment of the Climate Leadership and Community Protection Act ("**CLCPA**") in July 2019. Codifying these nation-leading goals, the CLCPA establishes the most ambitious and comprehensive climate and clean energy legislation in the country, including mandates to:

1. Achieve 70% electricity from renewable energy by 2030 and 100% zero-emission electricity by 2040;
2. Install 10,000 megawatts of distributed solar by 2030; 3,000 megawatts of energy storage by 2030; and 9,000 megawatts of offshore wind ("**OSW**") by 2035; and
3. Establish a Climate Action Council ("**CAC**") and policy roadmap that will ensure 35% of clean energy program resources benefit historically underserved communities, and individuals working in conventional energy industries are provided with training and opportunities in the growing clean energy economy.

Further information on NYGB's activities and performance over the past year are available in its 2022 – 23 Impact Report,[4] 2023 – 24 Annual Plan, and in other materials (including Quarterly Metrics Reports) – all available at www.greenbank.ny.gov/Resources/Public-Filings.

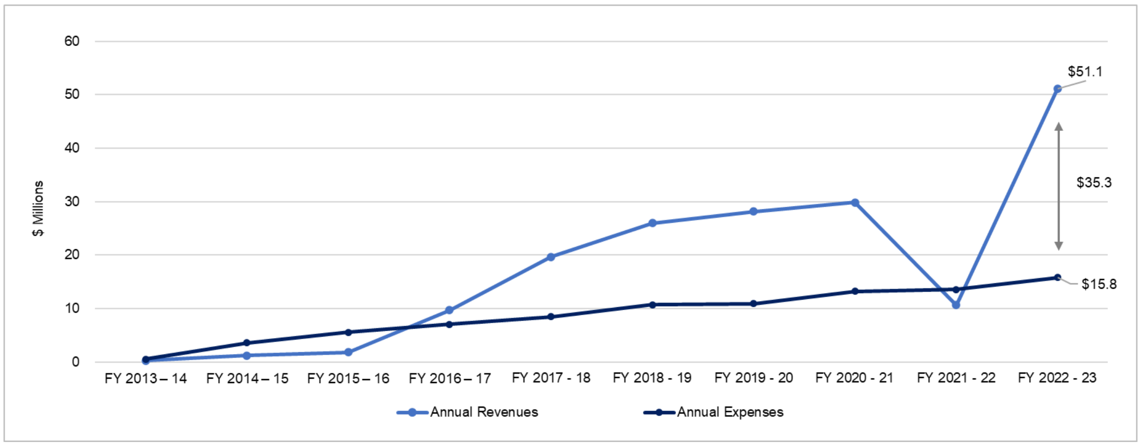
[4] "NY Green Bank Annual Plan 2023 – 24" and "NY Green Bank Impact Report" for the year ending March 31, 2023, filed June 30, 2023, available at https://greenbank.ny.gov/Resources/Public-Filings.

2. Discussion of Annual Performance

Since closing its first transaction in fall 2015, NYGB has continued to proactively identify and support viable investment opportunities to fulfill its mission. In FY 2022 – 23, NYGB closed 16 transactions totaling $252 million in commitments. As of March 31, 2023, NYGB's Overall Investments to Date totaled $1.9 billion. NYGB ended FY 2022 – 23 with a Current Portfolio (representing the aggregate dollar value of its investments and comprising Deployed Funds as well as Committed Funds on that date) of $857.5 million.

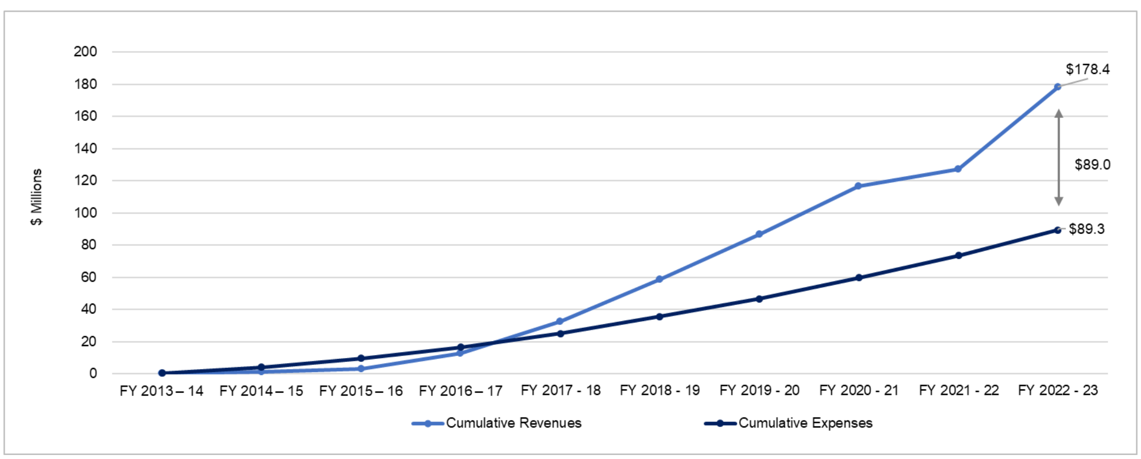
NYGB's Investment Portfolio generated operating revenues in FY 2022 – 23 and NYGB maintained its self-sufficiency (i.e., Cumulative Revenues greater than Cumulative Operating Expenses). NYGB generated $51.1 million Revenues, incurred $15.8 million Expenses and generated $35.3 million Net Income. Figure 1 shows the trend of NYGB's total annual Revenues and Expenses since Inception. NYGB also terminated the July 2021 monetization transaction, which was in essence the repurchase of a subset of loan interests originally sold in FY 2021 – 22. Over the cumulative lifetime of the fund NYGB has continued to generate revenues that exceed expenses, reinforcing its ability to remain self-sufficient.

Figure 1: Yearly Revenues vs. Expenses Since Inception[5]



NYGB's Cumulative Revenue versus Expense performance underpins its continued self-sufficiency. With Cumulative Revenues of $178.4 million and Cumulative Expenses of $89.3 million at March 31, 2023, NYGB's Cumulative Net Income is $89.0 million. The Cumulative Revenue and Expense trends are illustrated in Figure 2.

Figure 2: Cumulative Revenues vs. Cumulative Expenses Since Inception



[5] Sale of loans and receivables to a third party resulted in a decrease in revenues for FY 2021 - 22, while providing NYGB with additional liquidity to continue to deliver on its mandate.

A summary of NYGB's FY 2022 – 23 financial performance is found in Table 1, together with results from the prior year and variance percentages. Total operating revenues increased $30.6 million (288.6%) from the prior year. An increase in loans and financing receivables interest of 83.2% reflects the increased number of transactions in NY Green Bank's Investment Portfolio over the prior year as well as an increase in interest rates on certain floating rate loans. Fees decreased $4.7 million (45.4%), which is a result of fewer Portfolio Investments closing when compared to the prior year. As of March 31, 2023, a gain of $0.9 million was recognized from the sale of a Portfolio Investment.

Total operating expenses increased $2.0 million (14.5)%, most significantly driven by increases general and administrative expenses as well as other operating costs; these and other costs are discussed below.

General and administrative expenses, which include allocable costs such as rent, utilities, and insurance decreased $0.3 million (15.6%) due to a decrease in the allocable cost as compared to the prior year. Other operating costs decreased $0.4 million (18.4%) due to a decrease in professional service expenses (e.g., consultants and temporary employees).

Salaries and benefits, which include NY Green Bank staff salary expenses ($5.5 million), NYSERDA allocated administrative salary expenses ($2.3 million), and allocated fringe benefit expenses ($2.1 million), increased $1.5 million (18.1%) from the prior year. This occurred due to an increase in NY Green Bank's staffing as well as 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 78.9% greater than the previous year, which generally reflects decreased counterparty reimbursement rates. 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 increased $9.8 million. This was driven largely by higher interest rates on investments held during the fiscal year.

Non-operating expenses increased $0.2 million, due to the increase in program evaluation costs from the prior year.

Table 1: FY 2022 – 23: Financial Summary ($ thousands)

	March 31, 2023	March 31, 2022	% Change 2023-2022
Operating revenues:			
Fees	$5,667	$10,387	(45.4)%
Loans and financing receivables interest	34,842	19,016	83.2%
Provision for losses on loans and financing receivables	(141)	(5,205)	(97.3)%
Loss on sale of loans and financing receivables	920	(13,543)	(106.8)%
Total operating revenues:	41,288	10,655	287.5%
Operating expenses:			
Salaries and benefits	9,919	8,399	18.1%
Investment related expenses	812	454	78.9%
Other operating costs	1,832	2,245	(18.4)%
General and administrative expenses	1,806	2,139	(15.6)%
Depreciation	958	177	441.2%
NY State assessments	157	136	15.4%
Interest expense	36	-	100.0%
Total operating expenses	15,520	13,550	14.5%
Operating income	25,768	(2,895)	990.1%
Non-operating revenues:			
Program contributions	-	44,252	(100.0)%
Investment income (loss)	9,808	(9)	109,077.8%
Total non-operating revenues	9,808	44,243	(77.8)%
Non-operating expenses:			
Program evaluation	293	94	211.7%
Total non-operating expenses	293	94	211.7%
Change in net position	35,283	41,254	(14.5)%
Net position, beginning of year	1,001,278	960,024	4.3%
Net position, end of year	1,036,561	1,001,278	3.5%
Net Income (Loss)	**35,283**	**(2,998)**	**1,276.9%**

Source: NYGB Financial Statements; NYGB Analysis

3. Annual Financial Metrics

3.1 General

Required metrics for FY 2022 – 23 and FY 2021 – 22 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 5.

Table 2: Annual Financial Metrics: FY 2022 – 23 vs. FY 2021 – 22

Annual Metric	FY 2022 – 23	FY 2021 – 22
Financial Position		
▪ Audited Financials	Included in Schedule 1 of this Report	See "Audited Financial Statements" available at www.greenbank.ny.gov/Resources/Public-Filings
Investment Quality & Risk		
▪ Portfolio Impairment	0.0%	0.7%
Investment Portfolio Benefits		
▪ Return on Investment (%)		
▪ Annual ROI		
▪ Gross	5.4%	1.1%
▪ Net	3.7%	(0.3%)
▪ Cumulative ROI[6]		
▪ Gross	33.5%	26.4%
▪ Net	16.7%	11.1%
▪ Capital Redeployment Cycle Time	5.7 years	7.1 years

3.2 Financial Position

3.2.1 Audited Financials

NYGB's Audited Financials are included in Schedule 1, 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

3.3.1 Portfolio Impairment

In the fiscal year ended March 31, 2023, $0.1 million of the total reported value of loans and financing receivables on the Statement of Net Position was recorded as impaired. This impairment represents less than one tenth of a percent of Deployed Funds managed by NYGB.

[6] Cumulative ROI represents the aggregate Return on Investment since Inception and is not expressed on an annualized basis.

3.4 Investment Portfolio Benefits

ROI is a common financial performance metric used by investment and portfolio managers to assess the efficiency of an investment and compare 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 NYS 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 used in this Report are defined in Section 4.

3.4.1 ROI Capital

NYGB's ROI for FY 2022 – 23 is calculated using a time-weighted average of ROI Capital reflecting the timing of capital contributions and redemptions (if applicable) during the year (for annual calculations) or since Inception (for cumulative calculations). A time-weighted calculation of ROI accounts for the timing of when authorized capital was received by NYGB during the relevant period, whereas an unweighted calculation would use year-end balances. The difference in the ROI Capital total used in the ROI calculations is illustrated in Figure 3, and the impact on Cumulative ROI shown in Figure 4. NYGB was fully capitalized during FY 2022 – 23, and ROI Capital of $947.1 million was used for annual calculations and the time-weighted value of $532.7 million was used for Cumulative ROI calculations.[7] Further detail and the formulas for these calculations are outlined in Section 4.

Figure 3: ROI Capital Calls

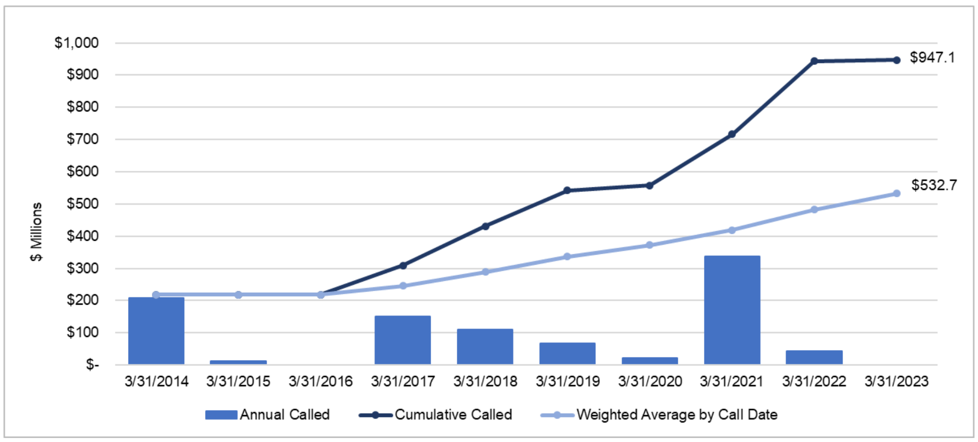
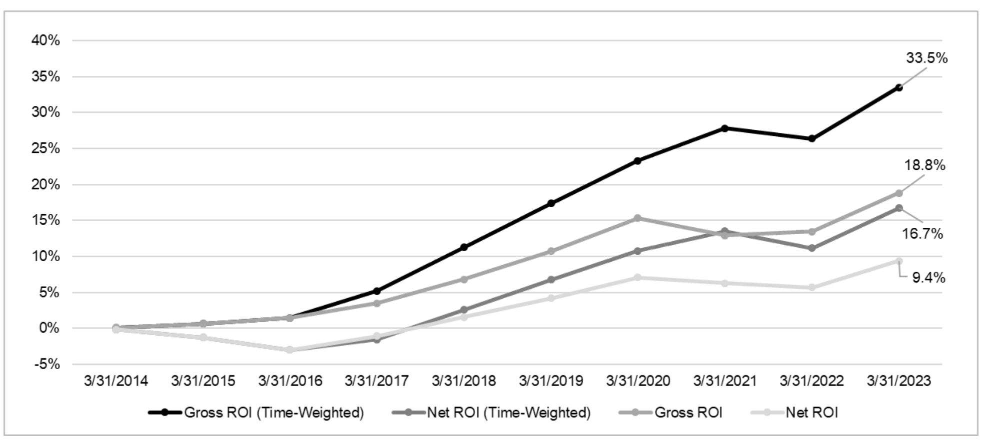


Figure 4: Time-Weighted vs. Unweighted ROI

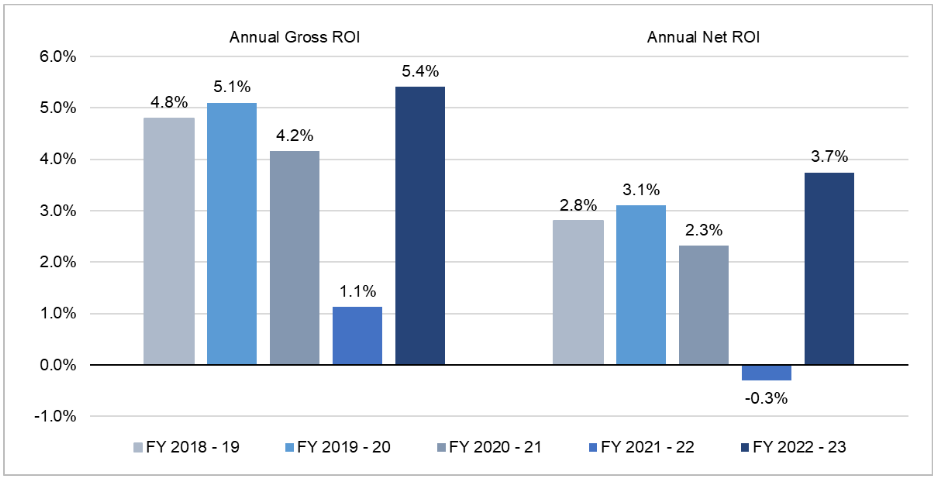


[7] In FY 2019 - 20, a portion of NYGB's initial capitalization funded from Regional Greenhouse Gas Initiative revenues was recalled and repurposed by NYSERDA to provide funding to support NYSERDA's statewide energy storage initiative. This $52.9 million capital redemption reduced NYGB's total capitalization from $1.0 billion to $947.1 million. "2020 NYGB Annual Financial Metrics" available at https://greenbank.ny.gov/-/media/Project/Greenbank/files/2020-NYGB-Annual-Financial-Metrics.PDF

3.4.2 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 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.

Figure 5: Annual ROI



Annual Gross ROI

Annual Gross ROI increased from 1.1% to 5.4% in FY 2022 – 23. This is a result of an approximately $40.4 million increase in Revenue from $10.7 million in FY 2021 – 22 to $51.1 million in FY 2022 – 23. To the extent not immediately deployed into new transactions, NYGB's cash balance is held in low-risk US Treasury and money market instruments in accordance with NYSERDA's investment policy. Higher interest rates on investments held during the fiscal year also contributed to an increase in Annual Gross ROI.

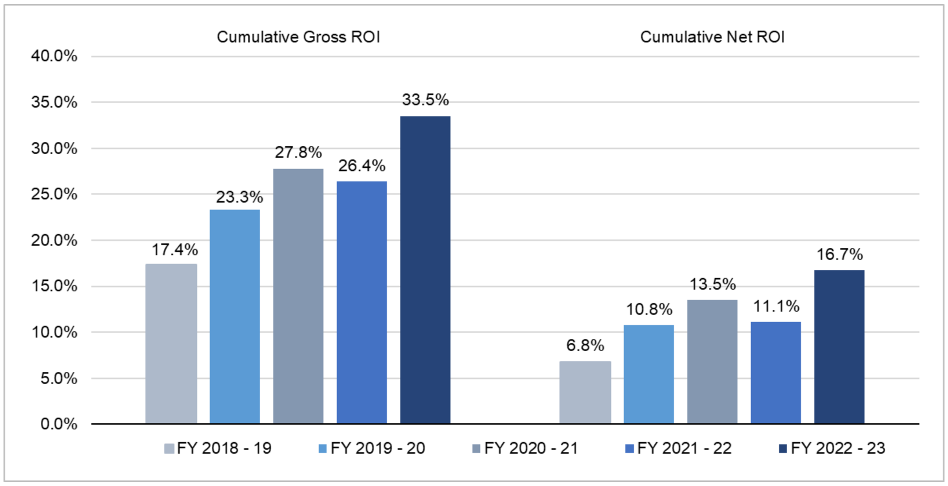
Annual Net ROI

Factors contributing to the increase in Annual Gross ROI are also present in Annual Net ROI calculations. In addition, NYGB Expenses rose $2.2 million from $13.6 million in FY 2021 – 22 to $15.8 million in FY 2022 – 23. This increase is primarily due to increases in Salaries and Benefits ($1.5 million), investment related expenses ($0.4 million), and depreciation ($0.8 million), and was partially offset by decreases in other operating costs ($0.4 million) and general and administrative expenses ($0.3 million). This is discussed further in Section 2. Annual Net ROI increased from (0.3%) in FY 2021 – 22 to 3.7% in FY 2022 – 23, reflecting the impact of a 379.6% increase of Revenue on this metric.

3.4.3 Cumulative ROI

Factors contributing to the increase in annual ROI are also present in both cumulative ROI calculations. This includes the impact of rising interest rates on NYGB's operating and non-operating revenues during FY 2022 – 23 as well as the reversal of a $5.2 million provision for a loss on loans and receivables recorded in FY 2021 – 22. The year-on-year growth in Cumulative ROI – that is, from Inception – is illustrated in Figure 6.

Figure 6: Cumulative ROI



<u>Cumulative Gross ROI</u>

Cumulative Gross ROI increased from 26.4% in FY 2021 – 22 to 33.5% in FY 2022 – 23, due principally to an increase in Revenues from $10.7 million as of March 31, 2022 to $51.1 million as of March 31, 2023. This increase in Cumulative Gross ROI represents a 27.0% increase year-over-year from FY 2021 – 22.

<u>Cumulative Net ROI</u>

Cumulative Net ROI experienced an increase in FY 2022 – 23 from 11.1% to 16.7%, as $51.1 million growth in Cumulative Revenue exceeded $15.8 million growth in Cumulative Expenses. During the fiscal year ended March 31, 2023, Cumulative Revenue rose from $127.3 million to $178.4 million while Cumulative Expenses rose from $73.5 million to $89.3 million. This increase in Cumulative Net ROI reflects a 50.1% increase in Cumulative Net Income since FY 2021 – 22.

3.4.4 Capital Redeployment Cycle Time

Capital Redeployment Cycle Time ("**CRCT**") is a measure of how long it will take for a dollar of NYGB capital to be returned from one investment and become available to reinvest in 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, 2023, was 5.7 years.[8]

[8] Assets that have been Impaired are excluded from this calculation. Given that principal is not currently being repaid, it cannot be made available to a new investment. NYGB will continue to pursue all legal and contractual avenues to collect deployed funds for assets recorded as Impaired.

4. Glossary & Definitions

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

(a) There is agreement in principle between the parties;

(b) There is momentum in moving the transaction forward;

(c) Conditions to investment are expected to be met; and

(d) NYGB is dynamically proceeding towards and through "greenlight" recommendation, IRC approval and transaction execution.

Unlike 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[9], 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 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.

"**CAC**" has the meaning given to that term in Section 1.

"**Capital Gains**" means, in any year, the aggregate of all increases in Available Capital that are derived from

[9] 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).

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[10] 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.

"**CDG**" has the meaning given to that term in Section 1.

"**CEF**" has the meaning given to that term in Section 1.

"CLCPA" has the meaning given to that term in Section 1.

"**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.[11]

"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.[12]

"**DACs**" has the meaning given to that term in Section 1.

"**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.[13]

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

[11] 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.

[12] The dollar value of the Current Portfolio fluctuates over time, including to reflect any increases or decreases in Committed Funds and/or Deployed Funds. Committed Funds increase when new transactions are executed with commitments that have not yet been funded, and/or in connection with existing transactions, where repaid amounts may be available to be redrawn pursuant to the terms of investment agreements. Deployed Funds increase where the total dollars funded into investments exceed amounts repaid in the same period. Decreases in Committed Funds occur, for example, in connection with the release of undrawn funds at the end of an availability period or otherwise consistent with the terms of an investment, while decreases in Deployed Funds occur primarily when NYGB investments are repaid from time to time, allowing those monies to be recycled into new clean energy investments in the State, generating further benefits for ratepayers.

[13] 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.

“**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:

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

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

“**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.

“**Loans and Financing Receivables**” consist of sustainable infrastructure investments made by NY Green Bank into eligible technologies, consistent with its mission and investment criteria.

“**MD&A**” has the meaning given to that term in Section 1.

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

“**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:

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

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

“**NYS**” 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.

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

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

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

"**Portfolio Investment(s)**" means NY Green Bank's Loans and Financing Receivables.

"**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[14], 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.

"**State**" has the meaning given to that term in Section 1.

"**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.

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

SCHEDULE 1

NYGB Audited Financial Statements – March 31, 2023

[See Attached]

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

FINANCIAL STATEMENTS

March 31, 2023

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March 31, 2023

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, 2023 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 26, 2023.

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.

Doreen M. Harris

Doreen M. Harris
President and Chief Executive Officer

Pamela C. Poisson

Pamela C. Poisson
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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the NY Green Bank, an enterprise fund of the New York State Energy Research and Development Authority (the Fund), as of and for the year ended March 31, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of March 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2(a), 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, 2023, the changes in its financial position or its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023 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 30, 2023

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, 2023. 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.

	(Amounts in thousands)		
Summary of Net Position	**March 31, 2023**	**March 31, 2022**	**% Change 2023-2022**
Cash and investments	$352,312	$450,996	(21.9)%
Loans and financing receivables, net	681,343	549,589	24.0%
Net pension & OPEB assets	2,727	2,202	23.8%
Other assets	3,932	2,010	95.6%
Total assets	1,040,314	1,004,797	3.5%
Deferred outflows of resources	3,936	4,504	(12.6)%
Other liabilities	939	928	1.2%
Total liabilities	939	928	1.2%
Deferred inflows of resources	6,750	7,095	(4.9)%
Net position - restricted	$1,036,561	$1,001,278	3.5%

For the year ended March 31, 2023, 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. NY Green Bank's Loans and

Financing Receivables (hereinafter referred to as “Portfolio Investment(s)”), ongoing business development, as well as focus on implementing and maintaining operational platforms, policies and practices are consistent with industry best practices. NY Green Bank has an active pipeline of potential Portfolio Investments that continues to be diversified across technology, location, and end-user segments.

The 21.9% decrease in Cash and Investments reflects that NY Green Bank’s Portfolio is established with a number of investments starting to pay down, but the returned capital is being recycled into new Portfolio Investment transactions. NY Green Bank’s cash and invested capital balances reflect $1.0 billion in funded capitalization received to date. NY Green Bank received incremental capital contributions through NYSERDA as capital was committed (considering projected liquidity needs) and has received the full $1.0 billion in capitalization which was authorized by the New York State Public Service Commission (Commission). NYSERDA funded 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 addressed through these funded capital contributions, or through the use of a credit facility, if and when required. In addition NY Green Bank terminated a transaction with a third party, which resulted in a cash payment that also contributed to the decrease in Cash and Investments.

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.

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 $35.5 million and $35.3 million, during the current fiscal year, respectively. NY Green Bank’s Net Position as of March 31, 2023 was $1,036.6 million, reflecting the total capitalization of $1.0 billion funded through the end of the year, less $52.9 million of NYSERDA capital redemptions, plus $89.0 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 NYSERDA to provide funding to support NYSERDA’s statewide energy storage initiative.

Summary of Changes in Net Position	March 31, 2023	March 31, 2022	% Change 2023-2022
	(Amounts in thousands)		
Operating revenues:			
Fees	$5,667	$10,387	(45.4)%
Loans and financing receivables interest	34,842	19,016	83.2%
Provision for losses on loans and financing receivables	(141)	(5,205)	(97.3)%
Gain (loss) on sale of loans and financing receivables	920	(13,543)	(106.8)%
Total operating revenues:	41,288	10,655	287.5%
Operating expenses:			
Salaries and benefits	9,919	8,399	18.1%
Investment related expenses	812	454	78.9%
Other operating costs	1,832	2,245	(18.4)%
General and administrative expenses	1,806	2,139	(15.6)%
Depreciation	958	177	441.2%
NY State assessments	157	136	15.4%
Interest expense	36	-	100.0%
Total operating expenses	15,520	13,550	14.5%
Operating (loss) income	25,768	(2,895)	990.1%
Non-operating revenues:			
Program contributions	-	44,252	(100.0)%
Investment income (loss)	9,808	(9)	109,077.8%
Total non-operating revenues	9,808	44,243	(77.8) %
Program evaluation	293	94	211.7%
Total non-operating expenses	293	94	211.7%
Change in net position	35,283	41,254	(14.5)%
Net position, beginning of year	1,001,278	960,024	4.3%
Net position, end of year	$1,036,561	$1,001,278	3.5%

Total Operating Revenues increased $30.6 million 288.6% from the prior year. An increase in loans and financing receivables interest of 83.2% reflects the increased number of transactions in NY Green Bank's Investment Portfolio over the prior year as well as an increase in interest rates on certain floating rate loans. Fees decreased $4.7 million 45.4%, which is a result of fewer Portfolio Investments closing when compared to the prior year. As of March 31, 2023 a gain of $0.9 million was recognized from the sale of a Portfolio Investment.

Total Operating Expenses increased $2.0 million (14.5)%, most significantly driven by increases General & Administrative Expenses as well as Other Operating Costs; these and other costs are discussed below.

Salaries and Benefits, which include NY Green Bank staff salary expenses ($5.5 million), NYSERDA allocated administrative salary expenses ($2.3 million), and allocated fringe benefit expenses ($2.1 million), increased $1.5 million (18.1%) from the prior year. This occurred due to an increase in NY Green Bank's staffing as well as 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 78.9% greater than the previous year, which generally reflects decreased counterparty reimbursement rates.

Other Operating Costs decreased $0.4 million (18.4%) due to a decrease in professional service expenses (e.g., consultants and temporary employees). General and Administrative Expenses, which include allocable costs such as rent, utilities, and insurance decreased $0.3 million (15.6%) 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. Depreciation increased and NY State Assessments decreased from the prior year.

Investment income increased $9.8 million. This was driven largely by higher interest rates on investments held during the fiscal year

Non-operating expenses increased $0.2 million, due to the increase in program evaluation 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 Stat

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 Pam Poisson, 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, 2023

(Amounts in thousands)

		March 31, 2023
ASSETS:		
Current assets:		
Cash and investments	$	352,312
Interest receivable on loans		3,932
Loans and financing receivables due within one year, net		116,143
Total current assets		472,387
Non-current assets:		
Loans and financing receivables - long term, net		565,200
Net pension & OPEB assets		2,727
Total non-current assets		567,927
Total assets		1,040,314
DEFERRED OUTFLOWS OF RESOURCES		3,936
LIABILITIES:		
Current liabilities:		
Accounts payable		130
Accrued liabilities		282
Escrow deposits		527
Total current liabilities		939
Total liabilities		939
DEFERRED INFLOWS OF RESOURCES		6,750
NET POSITION:		
Net position restricted for specific programs	$	1,036,561

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 fiscal year ended March 31, 2023
(Amounts in thousands)

	March 31, 2023
OPERATING REVENUES:	
Closing fees	$ 2,950
Undrawn fees	986
Administrative fees	521
Other fees	1,210
Loans and financing receivables interest	34,842
Provisions for losses on loans & financing receivables	(141)
Gain on sale of loans & financing receivables	920
Total operating revenues	41,288
OPERATING EXPENSES:	
Salaries and benefits	9,919
Investment related expenses	812
Other operating costs	1,832
General & administrative expenses	1,806
Depreciation	958
New York State assessments	157
Interest expense	36
Total operating expenses	15,520
OPERATING INCOME	25,768
NON-OPERATING REVENUES:	
Investment income	9,808
Total non-operating revenues	9,808
NON-OPERATING EXPENSES:	
Program evaluation	293
Total non-operating expenses	293
CHANGE IN NET POSITION	35,283
Net position, beginning of year	1,001,278
Net position, end of year	$ 1,036,561

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, 2023
(Amounts in thousands)

	March 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:	
Closing fees collected	$ 2,930
Undrawn fees collected	715
Administrative fees collected	484
Other fees collected	1,358
Loans and financing receivables interest collected	22,562
Receipt of escrow deposits	326
Payments to employees & employee benefit providers	(10,220)
Payments to suppliers	(5,070)
Payment for allocated depreciation	(958)
Payments to New York State	(157)
Payment for allocated interest	(36)
Loans and financing receivables deployed	(347,904)
Loans and financing receivables principal repayments	227,479
Net cash used in operating activities	(108,491)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(896,681)
Proceeds from sale of investments	1,004,595
Investment income	5,139
Net cash provided by investing activities	113,053
NET CHANGE IN CASH AND CASH EQUIVALENTS:	4,562
Cash and cash equivalents, beginning of year	14,570
Cash and cash equivalents, end of year	$ 19,132
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating income	$ 25,768
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in third party billings receivable	5
Increase in interest receivable	(1,927)
Increase in loans and financing receivables	(131,753)
Net change in pension & OPEB related accounts	(302)
Decrease in accounts payable	(113)
Decrease in accrued liabilities	(202)
Increase in escrow deposits	326
Non-operating expenses unrelated to financing activities	(293)
Net cash used in operating activities	$ (108,491)

See accompanying notes to the basic financial statements.

(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: development, 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 $7.6 billion commitment, representing part of the 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 received incremental capital contributions through NYSERDA upon executing new commitments of the authorized capital. In turn, NYSERDA funded 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, 2023, NY Green Bank has received the entire $1.0 billion of capitalization.

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 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 "Program 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 U.S. GAAP and are not intended to present the financial position of NYSERDA.

(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.

(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, 2023, there was a $0.1 million provision for losses.

(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 inflows 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.

(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 managing 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, 2023. 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.

	Fair Value	% of Total	Weighted Average Maturity (months)
Cash And Equivalents	$ 19,132	5.4	N/A
U.S. Treasury Bills	333,180	94.6	32.6
Total	$ 352,312	100.0	32.6
Current Portion	$ 352,312		

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, 2023, 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, 2023:

(Amounts in thousands)

Cash and Investments	Committed Capital
$352,312	$160,940

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, 2023, NY Green Bank committed capital was $160.9 million and deployed capital was $681.3 million (net of provision for losses on loans and financing receivables), 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 and term loan, term loans and 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, 2023 include the following:

	Number of Transactions	*(Amounts in thousands)* Loans and Financing Receivables Outstanding
Construction Finance	8	$56,047
Construction Finance And Term Loan	13	215,208
Term Loan And Investments	27	315,085
Warehousing / Aggregation	4	95,003
Total	52	$681,343

Loans and financing receivables at March 31, 2023 mature as follows:

(Amounts in thousands)

Fiscal Year Ending March 31	Construction Finance	Construction Finance And Term Loan	Term Loan And Investments	Warehousing /Aggregation	Total
2024	$ 5,789	$ 15,829	$ 34,082	$ 60,443	$116,143
2025	4,889	22,767	64,569	34,560	126,785
2026	777	3,199	45,046	-	49,022
2027	29,820	17,758	28,412	-	75,990
2028	842	6,991	81,516	-	89,349
2029-2033	13,930	120,893	45,157	-	179,980
2034-2038	-	27,771	16,303	-	44,074
Total	$56,047	$215,208	$315,085	$ 95,003	$681,343

Loans and Financing Receivables Purchased

During the year ended March 31, 2023, NY Green Bank amended the terms of a transaction it had previously entered into to transfer its interest in a defined portfolio of loans to a third party. The amendment terminated the transaction with a cash payment of $40.0 million and the extinguishment of the $77.4 million deferred purchase price receivable. As a result, $117.4 million of loans were added to NY Green Bank's loan portfolio, which represents a $15.3 million discount to outstanding amounts receivable on the loans. The $15.3 million discount will be amortized over the remaining life of the loans outstanding.

(5) NET PENSION & OPEB ASSETS

NY Green Bank's net pension & OPEB assets represents the share of NYSERDA's net pension asset and net OPEB asset allocable to 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.

Net pension and OPEB assets activity for the year ended March 31, 2023 was as follows:

(Amounts in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance
Net pension liability (asset)	($230)	-	($1,318)	($1,548)
Net OPEB liability (asset)	(1,972)	793	-	(1,179)
Total non-current liability (asset)	($2,202)	$793	($1,318)	($2,727)

(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, 2023, NY Green Bank has entered into five 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, 2023 totaled approximately $15.1 million.

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