



NY Green Bank
A Division of NYSERDA

NY Green Bank

Metrics, Reporting & Evaluation
Annual Financial Metrics Report No. 7
(April 1, 2020 - March 31, 2021)

Case 13-M-0412

June 29, 2021

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1. Introduction

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

The purpose of this Report is to provide information of NYGB’s financial performance in its most recent fiscal year (April 1 through March 31, “**FY**”). In addition to annual metrics defined in the Metrics Plan, this report incorporates NYGB’s audited annual financial statements for FY 2020 – 21 in Schedule 1, including management discussion and analysis and all notes to the financial statements.

During the FY ended March 31, 2021, NYGB continued its focus on execution and asset management across all aspects of its clean energy and sustainable infrastructure investment business. NYGB received over \$5.2 billion in investment proposals from Inception² through March 31, 2021. Its Active Pipeline was \$901.8 million as of March 31, 2021, and remains diversified across technology, location, and end-user segments. During FY 2020 – 21, NYGB closed 30 new transactions totaling \$349.0 million. Through March 31, 2021, NYGB’s overall sustainable infrastructure investments since Inception totaled \$1.3 billion, facilitating clean energy development in New York State (“**NYS**” or the “**State**”) with an aggregate estimated total project costs in the range of \$2.9 to \$3.6 billion. At March 31, 2021, NYGB’s Current Portfolio was \$782.2 million.

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 2020 – 21 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. These efforts position NYGB to not only preserve its capital, but also deliver commercial returns that grow its capital base for reinvestment in NYS. 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 In turn, the CEF objectives support the State’s aggressive clean energy targets, including under New York’s Green New Deal⁴ which mandates a significant increase in the State’s Clean Energy Standard (“**CES**”) with a goal of 70.0% energy generation from renewable sources by 2030 and carbon-free electricity by 2040.⁵

NYS has continued to expand its clean energy goals since the inception of NYGB and the CEF, including enactment of the Climate Leadership and Community Protection Act (“**CLCPA**”) in July 2019. Codifying the nation-leading goals of Governor Cuomo’s Green New Deal, the CLCPA establishes the most ambitious and comprehensive climate and clean energy legislation in the country, including mandates to:

1. Achieve 70% renewable energy by 2030 and zero-carbon emission electric sector by 2040;
2. Install 9,000 megawatts of offshore wind (“**OSW**”) by 2035; 6,000 megawatts of distributed solar by 2025; and 3,000 megawatts of energy storage by 2030; and

¹ Case 13-M-0412, “NY Green Bank – Metrics, Reporting & Evaluation Plan”, dated June 20, 2016, available at www.greenbank.ny.gov/-/media/greenbanknew/files/Metrics-Reporting-Evaluation-30.pdf.

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 <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7BBBD3AAFB0-FAA2-4DA6-B56B-OFF22EE34EDF%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>.

⁴ Announced by Governor Andrew M. Cuomo in the 2019 State of the State. See www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/2019StateoftheStateBook.pdf.

⁵ New York’s Green New Deal includes certain critical components, including: (a) quadrupling New York’s offshore wind target to 9,000 MW by 2035 (up from 2,400 MW by 2030); (b) doubling distributed solar deployment to 6,000 MW by 2025 (up from 3,000 MW by 2023); (c) deploying 3,000 MW of energy storage by 2030 (up from 1,500 MW by 2025); (d) more than doubling new large-scale land-based wind and solar resources through the CES; (e) maximizing the contributions and potential of New York’s existing renewable resources; (f) expanding and enhancing the Solar For All Program to increase access to affordable and clean energy for low-income, environmental justice and other underserved communities; and (g) initiatives to achieve carbon neutral building stock Statewide, including through the energy efficiency target to reduce energy consumption by 185 trillion BTUs below forecasted energy use in 2025.

3. Establish a Climate Action Council (“**CAC**”) and policy roadmap that will ensure 35% of clean energy program resources benefit disadvantaged communities, and individuals working in conventional energy industries are provided with training and opportunities in the growing clean energy economy.

During FY 2020 – 21, NYGB provided flexible, dynamic financing solutions and committed more capital than at any time in its history. By devoting significant time, effort and investment dollars to capital-constrained areas of the clean energy market such as residential and Community Distributed Generation (“**CDG**”) solar – sectors that now benefit from ample private capital availability – NYGB has demonstrated its ability to transform financing markets in NYS and has begun to focus on other areas experiencing financing barriers, as well as on strategies for financing sustainable infrastructure in Disadvantaged Communities (“**DACs**”) across the state.

Further information on NYGB’s activities and performance over the past year are available in its Annual Plan 2021 – 22 and Impact Report⁶ and in other materials (including Quarterly Metrics Reports) – all available at www.greenbank.ny.gov/Resources/Public-Filings.

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

2. Discussion of Annual Performance

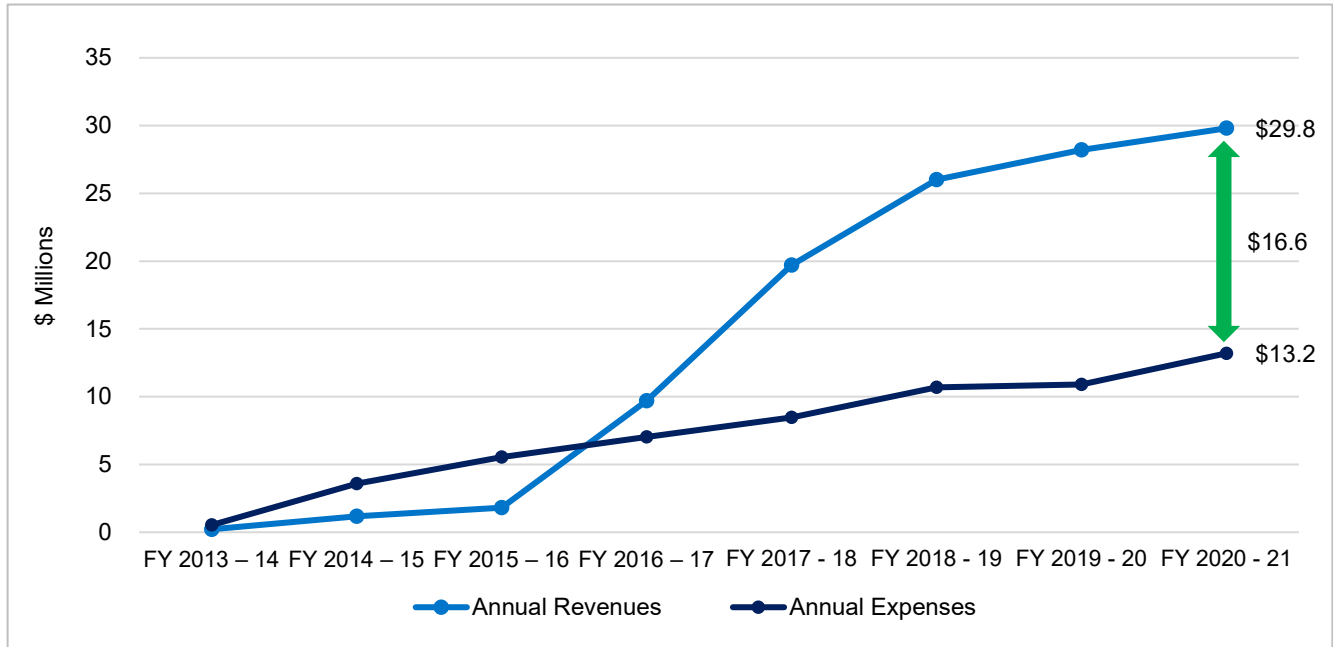
Since NYGB closed its first transaction in fall 2015, its Investment Portfolio has continued to grow. In FY 2020 – 21, NYGB closed 30 transactions totaling \$349.0 million. As of March 31, 2021, NYGB’s Overall Investments to Date totaled \$1.3 billion. NYGB ended FY 2020 – 21 with a Current Portfolio (representing the aggregate dollar value of its investments and comprising Deployed Funds as well as Committed Funds on that date) of \$782.2 million.

NYGB’s Investment Portfolio generated significant operating Revenues in FY 2020 – 21. As such, NYGB maintained its self-sufficiency (i.e., Revenues greater than Operating Expenses) and also exceeded its annual Net Income target as stated in the 2020 Review and Plan.⁷ Specifically, NYGB generated \$29.8 million Revenues, incurred \$13.2 million Expenses and produced \$16.6 million Net Income. Figure 1 shows the trend of NYGB’s total annual Revenues and Expenses since Inception.

⁶ “NY Green Bank Annual Plan 2021 – 22” and “NY Green Bank Impact Report” for the year ending March 31, 2021 filed June 29, 2021, available at <https://greenbank.ny.gov/Resources/Public-Filings>

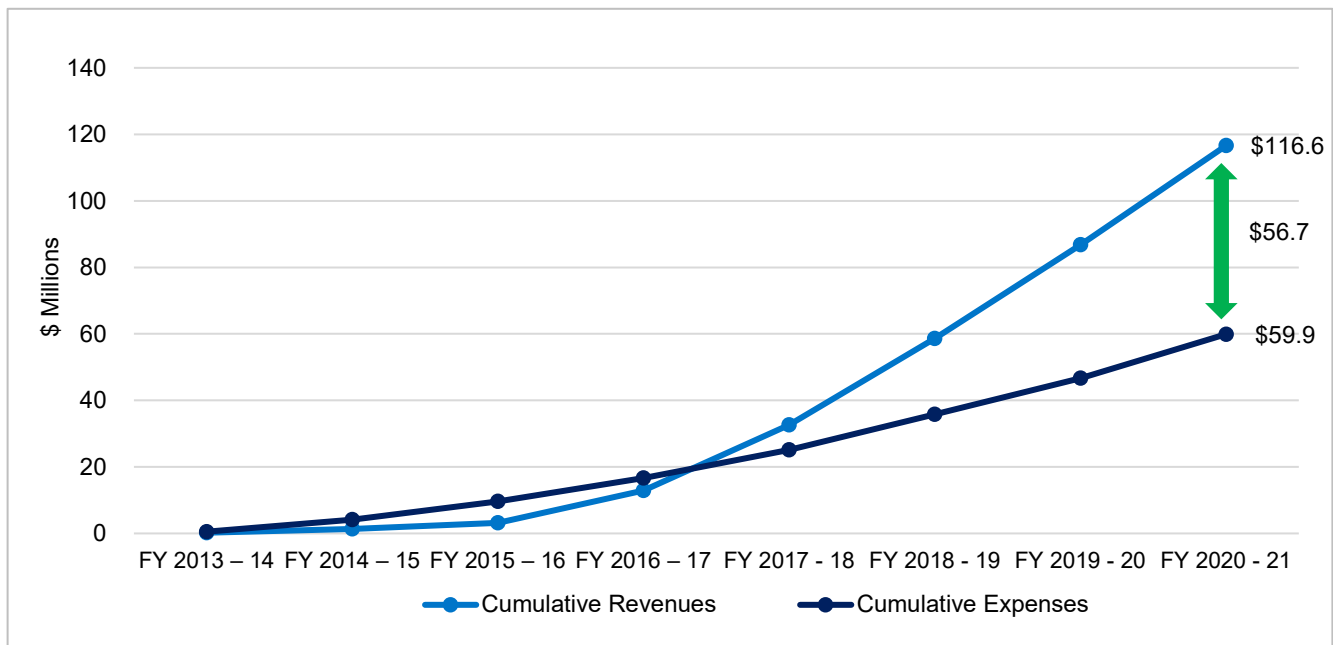
⁷ Case 13-M-0412, “NY Green Bank Annual Review 2019 – 20 and Annual Business Plan 2020 – 21,” (the “**2020 Review and Plan**”) filed June 19, 2020, available at <https://greenbank.ny.gov/-/media/greenbanknew/files/2020-Business-Plan-NYGB.pdf>.

Figure 1: Yearly Revenues vs. Expenses Since Inception



NYGB’s Cumulative Revenue versus Expense performance underpins its continued self-sufficiency. With Cumulative Revenues of \$116.6 million and Cumulative Expenses of \$59.9 million at March 31, 2021, NYGB’s Cumulative Net Income is \$56.7 million. The Cumulative Revenue and Expense trends are illustrated in Figure 2.

Figure 2: Cumulative Revenues vs. Cumulative Expenses Since Inception



A summary of NYGB’s FY 2020 – 21 financial performance is found in Table 1, together with results from the prior year and variance percentages. Total Operating Revenues increased \$7.7 million (34.8)% from the prior year. NYGB closed twice as many transactions during the fiscal year as in the prior year; total dollar commitments were also higher, which drove a 57.9% increase in fees. An increase in loans and financing

receivables interest of 30.7% reflects the increased number of transactions in NYGB's Investment Portfolio over the prior year.

Total Operating Expenses increased \$2.0 million (18.8)%, most significantly driven by increases in Salaries and Benefits; these and other costs are discussed below.

Salaries and Benefits, which include NYGB staff salary expenses (\$3.9 million), NYSERDA allocated administrative salary expenses (\$1.6 million), and allocated fringe benefit expenses (\$3.1 million), increased \$1.0 million (13.7%) from the prior year. This occurred due to an increase in NYGB's staffing consistent with plan as well as an increase in the overall pool of allocable expenses of which NYGB pays its pro rata share (which is calculated based on NYGB's direct staffing costs as a proportion of NYSERDA's program staffing costs).

Investment Related Expenses, which include legal and other costs incurred for various Portfolio Investments, were 46.6% greater than the previous year, which generally reflects decreased counterparty reimbursement rates. Other Operating Costs increased \$0.5 million (37.9%) 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 \$0.3 million (26.0%) 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 NYGB's allocable share of NYSERDA's depreciation and NYSERDA's cost recovery fee ("**CRF**") assessment from NYS, respectively. Depreciation decreased and NYS Assessments increased from the prior year.

Investment Income decreased \$6.0 million (96.5%). This was driven largely by lower interest rates on short-term investments held during the fiscal year.

Non-operating expenses increased \$0.2 million, primarily due to the increase in capital advisory costs from the prior year.

Table 1: Fiscal Year 2020 – 21 Financial Summary (\$ thousands)

	March 31, 2021	March 31, 2020	% Change 2021-2020
Operating revenues:			
Fees	\$5,284	\$3,347	57.9%
Loans and financing receivables interest	24,327	18,612	30.7%
Total operating revenues:	29,611	21,959	34.8%
Operating expenses:			
Salaries and benefits	8,510	7,484	13.7%
Investment related expenses	585	399	46.6%
Other operating costs	1,761	1,277	37.9%
General and administrative expenses	1,571	1,247	26.0%
Depreciation	147	189	(22.2)%
NY State assessments	149	112	33.0%
Total operating expenses	12,723	10,708	18.8%
Operating income	16,888	11,251	50.1%
Non-operating revenues:			
Capital contributions	336,981	20,678	1,529.7%
Investment income	216	6,224	(96.5)%
Total non-operating revenues	337,197	26,902	1,153.4%
Non-operating expenses:			
Capital expansion	410	44	831.8%
Program evaluation	45	170	(73.5)%
Total non-operating expenses	455	214	112.6%
Income before transfers	353,630	37,939	832.1%
Change in net position	353,630	37,939	832.1%
Net position, beginning of year	606,394	568,455	6.7%
Net position, end of year	\$960,024	\$606,394	58.3%
Net Income (Loss)	\$16,649	\$17,261	(3.5)%

Source: NYGB Financial Statements; NYGB Analysis

3. Annual Financial Metrics

3.1 General

Required metrics for FY 2020 – 21 and FY 2019 – 20 are set out below in Table 2.

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

Table 2: Annual Financial Metrics: FY 2020 – 21 vs. FY 2019 – 20

Annual Metric	FY 2020 – 21	FY 2019 – 20
Financial Position		
▪ Audited Financials	Included in <u>Schedule 1</u> of this Report	See “Audited Financial Statements” available at www.greenbank.ny.gov/Resources/Public-Filings
Investment Quality & Risk		
▪ Portfolio Impairment	0.0%	0.0%
Investment Portfolio Benefits		
▪ Return on Investment (%)		
▪ Annual ROI		
▪ Gross	4.2%	5.1% ⁸
▪ Net	2.3%	3.1%
▪ Cumulative ROI		
▪ Gross	27.8%	23.3%
▪ Net	13.5%	10.8%
▪ Capital Redeployment Cycle Time	5.6 years	4.3 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, 2021, 0.0% of the total reported value of loans and financing receivables on the Statement of Net Position was recorded as Impaired, which represents a Portfolio Impairment of 0.0% of the Current Portfolio, as defined in the Metrics Plan for the purposes of this Report. Current Portfolio is a larger amount than loans and financing receivables as it includes both Deployed Funds and Committed Funds, whereas loans and financing receivables reflect the outstanding balance of Deployed Funds.

⁸ The prior year Annual Gross ROI figure has been updated to 5.1% (c.f. 5.0%). Taking into account, and consistent with, the material change rules for NYSERDA, the 0.1% difference (representing a 2.0% change) does not require refiling of Annual Financial Metrics Report No. 6.

3.4 Investment Portfolio Benefits

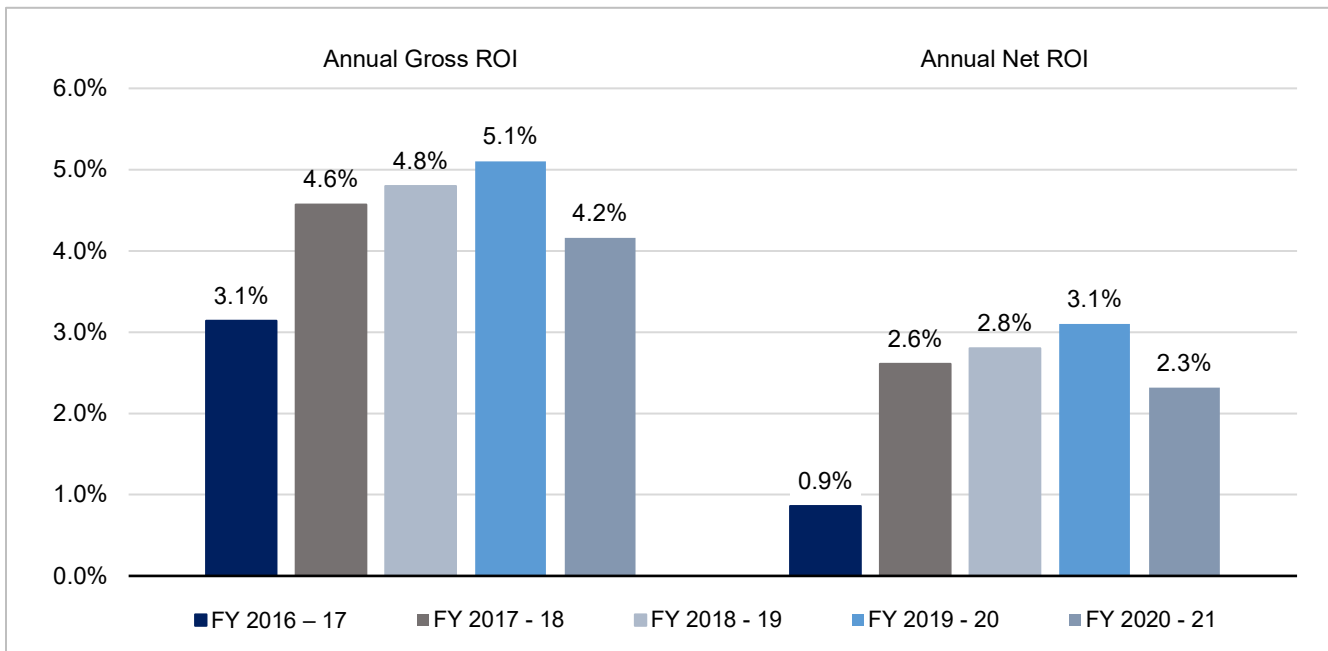
ROI is a common financial performance metric used by investment and portfolio managers to assess the efficiency of an investment and compare investments. Traditionally, ROI measures the return on an investment, relative to the investment’s cost. The Metrics Plan defines ROI to measure the return on all 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](#).

At the beginning of FY 2020 – 21, NYGB’s ROI Capital was \$565.8 million. Through the Bill-As-You-Go (“BAYG”) process, implemented during FY 2017 – 18 pursuant to the Order of the Commission establishing the CEF⁹, NYGB continued to receive capital contributions as required to maintain sufficient liquidity. NYGB received additional ratepayer capital during FY 2020 – 21 totaling \$337.0 million. NYGB’s total ROI Capital at the end of FY 2020 – 21 was \$902.8 million. NYGB’s ROI for FY 2020 – 21 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).

3.4.1 Annual ROI

The year-on-year changes in NYGB’s annual ROI contained in [Table 2](#) – on both a gross and net basis – are graphically represented in [Figure 3](#). 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 3: Annual ROI



Annual Gross ROI

Annual Gross ROI decreased from 5.1% to 4.2% in FY 2020 – 21. This is a result of a \$1.6 million increase in Revenues from \$28.2 million in FY 2019 – 20 to \$29.8 million in FY 2020 – 21 but offset by the \$337.0 million increase in NYGB’s ROI Capital on account of further capitalization. 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

⁹ CEF Order, page 108.

accordance with NYSEDA's investment policy. Lower interest rates on short-term investments held during the FY decreased Investment Income, thereby suppressing this Annual metric.

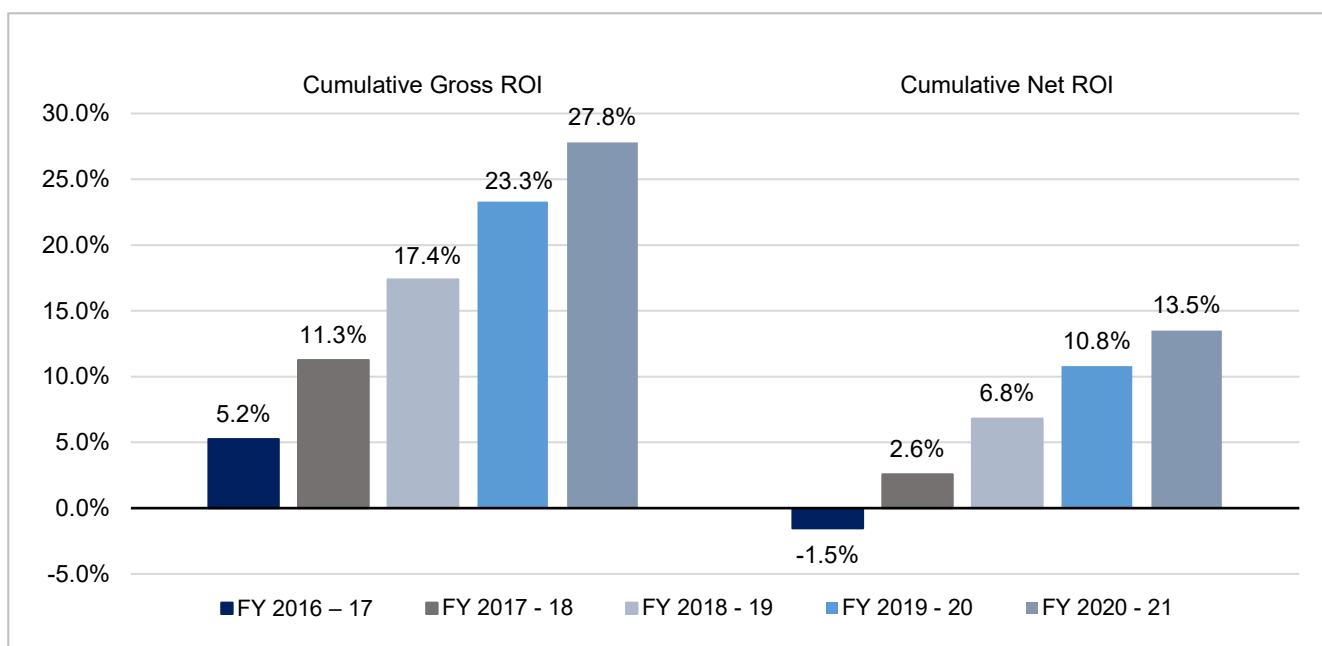
Annual Net ROI

NYGB Expenses rose \$2.3 million from \$10.9 million in FY 2019 – 20 to \$13.2 million in FY 2020 – 21. This increase is mainly driven by an increase in Salaries and Benefits (\$1.0 million), Other Operating Costs (\$0.5 million) and General and Administrative Expenses (\$0.3 million). This is discussed further in Section 2. Annual Net ROI decreased from 3.1% in FY 2019 – 20 to 2.3% in FY 2020 – 21, reflecting the impact of a 21.1% increase of Expenses, coupled with the increase in NYGB's ROI Capital, on this metric.

3.4.2 Cumulative ROI

The year-on-year growth in Cumulative ROI – that is, from Inception, is illustrated in Figure 4.

Figure 4: Cumulative ROI



Cumulative Gross ROI

Cumulative Gross ROI increased from 23.3% in FY 2019 – 20 to 27.8% in FY 2020 – 21, due principally to an increase in Cumulative Revenues from \$86.8 million as of March 31, 2020 to \$116.6 million as of March 31, 2021. This growth in Cumulative Gross ROI represents a 19.3% increase year-over-year from FY 2019 – 20.

Cumulative Net ROI

Cumulative Net ROI improved from 10.8% to 13.5%, as Cumulative Revenue growth (34.3%) exceeded the increase in Cumulative Expenses (28.3%). Cumulative Expenses rose \$13.2 million from \$46.7 million to \$59.9 million during the fiscal year ended March 31, 2021.

This growth in Cumulative Net ROI reflects Cumulative Net Income of \$56.7 million and represents a 25.1% increase year-over-year since FY 2019 – 20.

3.4.3 Capital Redeployment Cycle Time

Capital Redeployment Cycle Time (“**CRCT**”) is broadly a measure of how long it will take for a dollar of NYGB

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, 2021, was 5.6 years.¹⁰ This result is driven by NYGB's growing Current Portfolio, including the addition of several large transactions with long tenors. This result reflects continuing progress towards an expected mobilization ratio of Total Project Costs to NYGB funds of 8:1, manifesting in \$8.0 billion of clean energy and sustainable infrastructure projects mobilized in NYS by NYGB activity by the end of the CEF term in December 2025.

¹⁰ 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

“**2020 Review and Plan**” means NYGB’s 2020 Business Plan.

“**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 Fee¹¹, 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.

¹¹ 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).

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

“**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 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 repaid¹² 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](#).

“**CES**” 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.¹³

“**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

¹² Or in the case of any contingent obligations or other unfunded commitments of NYGB, the termination of any commitment in accordance with its terms.

¹³ 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.

dollar value of the Investment Portfolio.¹⁴

“**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.¹⁵

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

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

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

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

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

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

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

“**Inception**” means the inception of NYGB pursuant to, and as of the date of, the Initial Capitalization Order.

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

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

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

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

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

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

¹⁴ 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.

¹⁵ 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.

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

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

“**NYS**” 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.

“**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 NYGB¹⁶, 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:

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

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

“**State**” 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

¹⁶ It is NYGB’s practice to invest cash balances in low risk instruments.

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.

NYGB Audited Financial Statements – March 31, 2021

[See Attached]

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

FINANCIAL STATEMENTS

March 31, 2021

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March 31, 2021

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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, 2021 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 22, 2021.

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
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 of the Financial Statements

We have audited the accompanying financial statements of NY Green Bank, an enterprise fund of the New York State Energy Research and Development Authority (the Fund), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements for the year then ended 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 auditor considers 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, 2021, 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, 2021, the changes in its financial position or 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.

Other Matters

Prior-Year Comparative Information

We have previously audited the 2020 financial statements of NY Green Bank, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Responsibility for Financial Reporting is presented for purposes 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 24, 2021 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 24, 2021

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, 2021
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, 2021. 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 2021-2020
	March 31, 2021	March 31, 2020	
Cash and investments	\$386,078	\$164,361	134.9%
Loans and financing receivables, net	572,700	441,559	29.7%
Other assets	3,242	3,207	1.1%
Total assets	962,020	609,127	57.9%
Deferred outflows of resources	4,289	1,527	180.9%
Net pension liability	3,796	885	328.9%
Net OPEB liability	134	528	(74.6)%
Other liabilities	927	2,361	(60.7)%
Total liabilities	4,857	3,774	28.7%
Deferred inflows of resources	1,428	486	193.8%
Net position - restricted	\$960,024	\$606,394	58.3%

For the year ended March 31, 2021, 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

NY Green Bank
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Management's Discussion and Analysis
For the Year Ended March 31, 2021
Unaudited

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 \$5.2 billion in Portfolio Investment proposals from inception through March 31, 2021. Its active pipeline of potential Portfolio Investments proceeding towards closing was \$901.8 million as of March 31, 2021 continuing to be diversified across technology, location, and end-user segments. During the past fiscal year, NY Green Bank closed thirty new Portfolio Investment transactions totaling commitments of \$349.0 million. Through March 31, 2021, NY Green Bank's overall sustainable infrastructure investments since inception totaled \$1.3 billion, facilitating clean energy development in New York State with an aggregate estimated total project cost in the range of \$2.9 billion to \$3.6 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 \$782.2 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 \$128.6 million (i.e., does not include paydowns against revolving facilities that remain available for redraw, which aggregated \$82.8 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 134.9% increase in Cash and Investments reflects that NY Green Bank's Portfolio is more established with an increasing volume of investments starting to pay down, and such returned capital being available for recycling into new Portfolio Investment transactions, in addition to funds received on account of further capitalization. NY Green Bank's cash and invested capital balances reflect \$956.3 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 \$44.2 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 (60.7)% during the fiscal year, primarily from a decrease in operating liabilities and borrower deposits.

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, 2021
Unaudited

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 \$352.9 million and \$353.6 million, during the current fiscal year, respectively. NY Green Bank's Net Position as of March 31, 2021 was \$960.0 million, reflecting the total capitalization of \$956.3 million funded through the end of the year (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 NYSERDA capital redemptions, plus \$56.7 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	<i>(Amounts in thousands)</i>		
	March 31, 2021	March 31, 2020	% Change 2021-2020
Operating revenues:			
Fees	\$5,284	\$3,347	57.9%
Loans and financing receivables interest	24,327	18,612	30.7%
Total operating revenues:	<u>29,611</u>	<u>21,959</u>	<u>34.8%</u>
Operating expenses:			
Salaries and benefits	8,510	7,484	13.7%
Investment related expenses	585	399	46.6%
Other operating costs	1,761	1,277	37.9%
General and administrative expenses	1,571	1,247	26.0%
Depreciation	147	189	(22.2)%
NY State assessments	149	112	33.0%
Total operating expenses	<u>12,723</u>	<u>10,708</u>	<u>18.8%</u>
Operating income	16,888	11,251	50.1%
Non-operating revenues:			
Capital contributions	336,981	20,678	1,529.7%
Investment income	216	6,224	(96.5)%
Total non-operating revenues	<u>337,197</u>	<u>26,902</u>	<u>1,153.4%</u>
Non-operating expenses:			
Capital expansion	410	44	831.8%
Program evaluation	45	170	(73.5)%
Total non-operating expenses	<u>455</u>	<u>214</u>	<u>112.6%</u>
Income before transfers	<u>353,630</u>	<u>37,939</u>	<u>832.1%</u>
Change in net position	353,630	37,939	832.1%
Net position, beginning of year	606,394	568,455	6.7%
Net position, end of year	<u>\$960,024</u>	<u>\$606,394</u>	<u>58.3%</u>

NY Green Bank
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Management's Discussion and Analysis
For the Year Ended March 31, 2021
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Total Operating Revenues increased \$7.7 million (34.8)% from the prior year. NY Green Bank closed twice as many transactions during the fiscal year as in the prior year; total dollar commitments were also higher, which drove a 57.9% increase in fees. An increase in loans and financing receivables interest of 30.7% reflects the increased number of transactions in NY Green Bank's Investment Portfolio over the prior year.

Total Operating Expenses increased \$2.0 million (18.8)%, 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 (\$3.9 million), NYSERDA allocated administrative salary expenses (\$1.6 million), and allocated fringe benefit expenses (\$3.1 million), increased \$1.0 million (13.7%) 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 46.6% greater than the previous year, which generally reflects decreased counterparty reimbursement rates. Other Operating Costs increased \$0.5 million (37.9%) 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 \$0.3 million (26.0%) 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 decreased and NY State Assessments increased from the prior year.

Investment Income decreased \$6.0 million (96.5%). This was driven largely by lower interest rates on short-term investments held during the fiscal year.

Non-operating expenses increased \$0.2 million, primarily due to the increase 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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(A Division of the New York State Energy Research and Development Authority)
Management's Discussion and Analysis
For the Year Ended March 31, 2021
Unaudited

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, 2021. NY Green Bank's Loans and Financing Receivables provide credit facilities to 54 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 have resumed operations in accordance with Federal, State and local government guidelines. Despite the suspension of programmatic activities, this did not materially impact NYGB's programmatic activities and accomplishments for the fiscal year ended March 31, 2021. As of March 31, 2021, NY Green Bank closed on \$349.0 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, 2021 but has not had a material impact on the financial condition of NY Green Bank as of March 31, 2021.

CONTACT FOR NY GREEN BANK'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the finances of NY Green Bank, a division of NYSERDA, for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to Jeffrey J. Pitkin, Treasurer and Chief Financial Officer, NYSERDA, 17 Columbia Circle, Albany, NY 12203.

NY Green Bank
 (A Division of the New York State Energy Research and Development Authority)
 Statement of Net Position
 March 31, 2021
 (with comparative totals for March 31, 2020)
 (Amounts in thousands)

	March 31, 2021	March 31, 2020
<u>ASSETS:</u>		
Current assets:		
Cash and investments	\$ 386,078	164,361
Third-party billings receivable	27	35
Interest receivable on loans	3,215	3,172
Loans and financing receivables due within one year, net	75,787	55,823
Total current assets	465,107	223,391
Non-current assets:		
Loans and financing receivables-long term, net	496,913	385,736
Total non-current assets	496,913	385,736
Total assets	962,020	609,127
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
	4,289	1,527
 <u>LIABILITIES:</u>		
Current liabilities:		
Accounts payable	94	29
Accrued liabilities	372	227
Escrow deposits	461	2,105
Total current liabilities	927	2,361
Non-current liabilities:		
Net pension liability	3,796	885
Net OPEB liability	134	528
Total non-current liabilities	3,930	1,413
Total liabilities	4,857	3,774
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
	1,428	486
 <u>NET POSITION:</u>		
Net position restricted for specific programs	\$ 960,024	606,394

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, 2021
 (with comparative totals for March 31, 2020)
 (Amounts in thousands)

	March 31, 2021	March 31, 2020
<u>OPERATING REVENUES:</u>		
Closing fees	\$ 3,915	2,528
Undrawn fees	836	572
Administrative fees	273	103
Other fees	260	144
Loans and financing receivables interest	24,327	18,612
Total operating revenues	29,611	21,959
<u>OPERATING EXPENSES:</u>		
Salaries and benefits	8,510	7,484
Investment related expenses	585	399
Other operating costs	1,761	1,277
General & administrative expenses	1,571	1,247
Depreciation	147	189
NY State assessments	149	112
Total operating expenses	12,723	10,708
OPERATING INCOME	16,888	11,251
<u>NON-OPERATING REVENUES:</u>		
Capital contributions	336,981	20,678
Investment income	216	6,224
Total non-operating revenues	337,197	26,902
<u>NON-OPERATING EXPENSES:</u>		
Capital expansion	410	44
Program evaluation	45	170
Total non-operating expenses	455	214
INCOME BEFORE TRANSFERS	353,630	37,939
Change in net position	353,630	37,939
Net position, beginning of year	606,394	568,455
Net position, end of year	\$ 960,024	606,394

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, 2021
(with comparative totals for March 31, 2020)
(Amounts in thousands)

	March 31, 2021	March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Closing fees collected	\$ 3,930	2,588
Undrawn fees collected	786	581
Administrative fees collected	278	93
Other fees collected	244	210
Loans and financing receivables interest collected	24,338	17,694
(Disbursement) receipt of escrow deposits	(1,644)	282
Payments to employees & employee benefit providers	(7,812)	(7,405)
Payments to suppliers	(3,750)	(3,508)
Payment for allocated depreciation	(147)	(189)
Payments to NYS	(149)	(112)
Loans and financing receivables deployed	(344,660)	(258,384)
Loans and financing receivables principal repayments	213,516	116,279
Net cash used in operating activities	(115,070)	(131,871)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Capital contributions	336,981	20,678
Capital expansion	(410)	(44)
Net cash provided by non-capital financing activities	336,571	20,634
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,130,515)	(412,379)
Proceeds from sale of investments	1,936,070	507,973
Investment income	3,219	5,895
Net cash (used in) provided by investing activities	(191,226)	101,489
NET CHANGE IN CASH and CASH EQUIVALENTS:		
Cash and cash equivalents, beginning of year	30,275	(9,748)
Cash and cash equivalents, end of year	\$ 44,806	24,279
		14,531
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income	\$16,888	11,251
Adjustments to reconcile operating Income to net cash used in operating activities:		
Decrease in third party billings receivable	8	139
Increase in interest receivable	(43)	(908)
Increase in loans and financing receivables	(131,141)	(142,129)
Increase in accounts payable	65	29
Increase (decrease) in accrued liabilities	145	(444)
(Decrease) increase in escrow deposits	(1,644)	282
Net change in pension & OPEB related accounts	697	79
Non-operating expenses unrelated to financing activities	(45)	(170)
Net cash used in operating activities	\$ (115,070)	(131,871)

**Notes to Basic Financial Statements
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(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, 2021, total ratepayer funded capitalization provided to NY Green Bank was \$955.8 million, resulting in an unfunded amount of \$44.2 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.

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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, 2021 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 years ended March 31, 2020 and 2021, respectively, there were no provisions 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 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.

(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.

The following schedule presents NY Green Bank's cash and investments as of March 31, 2021. 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

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(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	\$	44,806	11.6	N/A
U.S. Treasury Bills		341,272	88.4	<u>1.2</u>
Total	\$	386,078	100.0	<u>1.2</u>
Current Portion	\$	386,078		

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, 2021, 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.

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The following is a summary of cash and investments and related committed capital as of March 31, 2021:

(Amounts in thousands)

<u>Cash and Investments</u>	<u>Committed Capital</u>
\$386,078	\$209,545

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, 2021, NY Green Bank committed capital was \$209.5 million and deployed capital was \$572.7 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, 2021 include the following:

	<i>(Amounts in thousands)</i>	
	<u>Number of Transactions</u>	<u>Loans and Financing Receivables Outstanding</u>
Construction Finance	5	\$ 36,414
Construction Finance & Term Loan	11	61,755
Term Loan & Investments	33	416,672
Warehousing / Aggregation	<u>5</u>	<u>57,859</u>
Total	<u>54</u>	<u>\$ 572,700</u>

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Loans and financing receivables at March 31, 2021 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>
2022	\$ 7,217	29,003	33,497	6,070	\$ 75,787
2023	12,064	1,646	50,296	24,638	88,644
2024	353	1,811	27,335	27,151	56,650
2025	353	2,029	45,971	-	48,353
2026	353	2,248	78,174	-	80,775
2027-2031	16,074	17,118	116,945	-	150,137
2032-2036	-	3,121	64,454	-	67,575
<u>2037-2041</u>	-	<u>4,779</u>	-	-	<u>4,779</u>
Total	<u>\$ 36,414</u>	<u>61,755</u>	<u>416,672</u>	<u>57,859</u>	<u>\$ 572,700</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.

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, 2021 was as follows:

(Amounts in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Net pension liability	\$885	3,834	(923)	3,796
Net OPEB liability	<u>528</u>	<u>1,225</u>	<u>(1,619)</u>	<u>134</u>
Total non-current liabilities	<u>\$1,413</u>	<u>5,059</u>	<u>(2,542)</u>	<u>3,930</u>

(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

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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, 2021, NY Green Bank has entered four 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, 2021 totaled approximately \$5.7 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 22, 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.