FULLER ROAD MANAGEMENT CORPORATION

Financial Statements and Supplementary Information

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

FULLER ROAD MANAGEMENT CORPORATION

Financial Statements and Supplementary Information

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Directors
Fuller Road Management Corporation:

We have audited the accompanying financial statements of Fuller Road Management Corporation (Corporation), which comprise the balance sheets as of June 30, 2017 and 2016, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of 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 Fuller Road Management Corporation as of June 30, 2017 and 2016, and its changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in notes 2 and 6 to the financial statements, the Corporation has had significant transactions with related parties. Whether the terms of these transactions would have been the same had they been between unrelated parties cannot be determined. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Albany, New York
December 21, 2017

FULLER ROAD MANAGEMENT CORPORATION

Balance Sheets

June 30, 2017 and 2016

Assets		**2017**	**2016**
Cash and cash equivalents	$	11,282,379	10,686,766
Rent and other receivables		12,392,197	7,171,760
Grant related receivables		20,863,639	46,340,628
Prepaid expenses		857,507	1,720,802
		45,395,722	65,919,956
Assets limited as to use:			
By debt agreements		12,874,118	13,524,027
Under grant agreements		8,637,610	2,181,680
By board for capital replacement		1,815,515	1,815,515
		23,327,243	17,521,222
Interest rate swaps		801,184	—
Land, buildings and equipment, net		708,411,191	732,218,048
Total assets	$	777,935,340	815,659,226
Liabilities and Net Assets			
Liabilities:			
Accrued interest payable	$	3,588,977	3,767,588
Construction and other costs payable		28,155,201	44,598,965
Line of credit		11,597,078	12,797,078
Capital lease payable		8,278,775	8,392,108
Bonds and credit agreement payable		431,455,797	462,089,653
Interest rate swaps		—	6,495,770
Deferred revenue		15,052,504	13,850,231
Total liabilities		498,128,332	551,991,393
Commitments and contingencies (notes 11 and 12)			
Net assets:			
Unrestricted		279,702,419	261,384,077
Temporarily restricted		104,589	2,283,756
Total net assets		279,807,008	263,667,833
Total liabilities and net assets	$	777,935,340	815,659,226

See accompanying notes to financial statements.

FULLER ROAD MANAGEMENT CORPORATION

Statements of Activities

Years ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Rental income and other support	$ 68,255,097	—	68,255,097	68,795,539	—	68,795,539
Grants and other contributions	—	64,507,191	64,507,191	—	49,312,395	49,312,395
Investment income	310,238	—	310,238	303,030	—	303,030
Net assets released from restrictions:						
Satisfaction of program designation restrictions	49,782,160	(49,782,160)	—	16,779,345	(16,779,345)	—
Satisfaction of construction of facilities restrictions	16,825,031	(16,825,031)	—	32,533,050	(32,533,050)	—
Satisfaction of time restrictions	79,167	(79,167)	—	100,000	(100,000)	—
Total support and revenue	135,251,693	(2,179,167)	133,072,526	118,510,964	(100,000)	118,410,964
Expenses and equity transfers:						
Contracted services	3,323,945	—	3,323,945	2,959,196	—	2,959,196
Repairs, maintenance, and supplies	1,798,911	—	1,798,911	2,163,075	—	2,163,075
Utilities	2,650,682	—	2,650,682	2,117,588	—	2,117,588
Insurance and other	831,355	—	831,355	1,587,705	—	1,587,705
Professional fees	1,958,315	—	1,958,315	656,899	—	656,899
Other project costs	—	—	—	6,059,104	—	6,059,104
Interest expense	19,760,441	—	19,760,441	20,488,108	—	20,488,108
Depreciation and amortization	46,030,538	—	46,030,538	46,370,348	—	46,370,348
Transfers to The Research Foundation for The State University of New York	39,540,014	—	39,540,014	16,779,345		16,779,345
Total expenses and transfers	115,894,201	—	115,894,201	99,181,368	—	99,181,368
Increase (decrease) in net assets, before other changes in net assets	19,357,492	(2,179,167)	17,178,325	19,329,596	(100,000)	19,229,596
Other changes in net assets:						
Change in fair value of interest rate swaps	7,296,954	—	7,296,954	(1,757,957)	—	(1,757,957)
Asset impairment	(3,950,641)	—	(3,950,641)	—	—	—
Loss on sale of facility	(4,385,463)	—	(4,385,463)	—	—	—
Increase (decrease) in net assets	18,318,342	(2,179,167)	16,139,175	17,571,639	(100,000)	17,471,639
Net assets, beginning of year	261,384,077	2,283,756	263,667,833	243,812,438	2,383,756	246,196,194
Net assets, end of year	$ 279,702,419	104,589	279,807,008	261,384,077	2,283,756	263,667,833

See accompanying notes to financial statements.

FULLER ROAD MANAGEMENT CORPORATION

Statements of Cash Flows

Years ended June 30, 2017 and 2016

		2017	2016
Operating activities:			
Change in net assets	$	16,139,175	17,471,639
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		46,030,538	46,370,348
Amortization of bond discount		9,673	9,673
Loss on sale of facility		4,385,463	—
Asset impairment		3,950,641	—
Change in fair value of interest rate swaps		(7,296,954)	1,757,957
Temporarily restricted grants and other contributions		(64,507,191)	(49,312,395)
Cash transfers to The Research Foundation for The State University of New York		39,540,014	16,779,345
Changes in assets:			
Rent and other receivables		(5,220,437)	(3,130,960)
Prepaid expenses		863,295	(926,160)
Changes in liabilities:			
Accounts payable		488,347	(542,451)
Deferred rent		1,202,273	1,876,151
Accrued interest payable		(178,611)	67,407
Net cash provided by operating activities		35,406,226	30,420,554
Investing activities:			
Sales of investments held		10,754,863	7,384,238
Purchases of investments		(16,560,884)	(7,649,885)
Payments for building and equipment additions		(46,370,494)	(32,298,500)
Cash received for sale of facility		1,750,000	—
Net cash used in investing activities		(50,426,515)	(32,564,147)
Financing activities:			
Cash paid on note payable		(50,567)	(50,568)
Cash provided by line of credit		—	2,780,022
Cash payments for line of credit		(1,200,000)	(2,118,515)
Payments on capital lease		(113,333)	(276,127)
Payments on NFX Credit agreement		(31,463,500)	(30,312,501)
Payments on bonds payable		(3,060,000)	(3,875,000)
Cash provided by the Series 2014 Bonds		1,059,136	35,443,640
Cash transfers to The Research Foundation for The State University of New York		(39,540,014)	(16,779,345)
Cash received from grants and restricted investment income		89,984,180	17,134,416
Net cash provided by financing activities		15,615,902	1,946,022
Net increase (decrease) in cash and cash equivalents		595,613	(197,571)
Cash and cash equivalents, beginning of year		10,686,766	10,884,337
Cash and cash equivalents, end of year	$	11,282,379	10,686,766
Supplemental disclosure of cash flow information:			
Cash paid for interest, including amounts capitalized	$	19,939,051	19,751,122

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Fuller Road Management Corporation (the Corporation) is a not-for-profit membership organization incorporated in September 1993 pursuant to Section 402 of the Not-For-Profit Corporation Law of New York State. In May 2005, the Corporation's Certificate of Incorporation was amended under Section 803 of the Not-For-Profit Corporation Law of New York State. The members of the Corporation consist of The Research Foundation for The State University of New York (the Research Foundation) and, as of January 2016, the SUNY Polytechnic Institute Foundation. Prior to January 2016, the second member of the Corporation was the University at Albany Foundation. The transfer of membership interest had no effect on the Corporation's financial position or statement of activities.

In January 2017, certain enhancements were made to the Corporation's existing bylaws. Among such changes included establishing a provision that New York State Urban Development Corporation (d/b/a Empire State Development) (ESD), an entity affiliated with New York State, has the right to recommend the appointment of two board directors and consent to the appointment of three additional directors at large. Further, ESD's President and CEO will serve as a non-voting, non-fiduciary advisory representative to the Corporation's board of directors.

Pursuant to its Certificate of Incorporation, as amended, the Corporation was formed and shall be operated exclusively for the purpose of holding title to property and collecting income therefrom. Its objectives are to advance the educational and research mission of The State University of New York (SUNY) and The State University of New York Polytechnic Institute (SUNY Poly) by providing facilities for research and scholarly programs for the enhancement of faculty, visiting scholars, students and staff, and to enhance the ability of SUNY and SUNY Poly to attract public and private funds to further research and scholarly studies.

The Corporation's activities include planning, designing, developing, constructing, owning, operating and leasing facilities necessary to foster its mission, including the following significant projects as follows:

- NanoFab 200 – This facility, which has approximately 70,000 square feet, contains both office space and 4,000 square feet of cleanroom, and cost approximately $16.5 million to construct. The source of funds for this project was a combination of New York State grants and advances received from the federal government (National Weather Service). The advances received are being amortized over the term of the National Weather Service's lease.
- NanoFab 300S – This facility, which has approximately 150,000 square feet, contains office space and 32,000 square feet of cleanroom, and cost approximately $50.0 million to construct. The source of funds for this project was a combination of debt and New York State and Federal grants (note 9).
- NanoFab 300N – This $175.0 million facility, which has approximately 228,000 square feet, including 35,000 square feet of cleanroom, is specifically designed for research and development activities associated with nanotechnology. NanoFab 300N was funded through a combination of a New York State grants and the issuance of debt (note 9). In 2016, the Corporation commenced

renovations in connection with the New York Power Electronics Manufacturing Consortium (PEMC) (notes 2 and 5).

- NanoFab East – The Corporation completed construction of the NanoFab East office building in 2009. NanoFab East has 250,000 square feet of office and laboratory space. The source of funds for the NanoFab East office and laboratory space was debt (note 9).
- NanoFab Central cleanroom – The NanoFab Central facility has 100,000 square feet, including 15,000 square feet of cleanroom. This facility was completed in two phases. Phase I was completed in July 2010 and Phase II was completed in late 2011. The source of funds for the NanoFab Central facility was New York State grants.
- NanoFab X –The NanoFab X facility contains 280,000 square feet, including 45,000 square feet of cleanroom space. The source of funds for construction of the NanoFab X facility was New York State grants and debt (notes 6 and 9).
- Zen building – In early fiscal 2016, the Corporation completed construction of the 356,512 square foot Zen building on existing Corporation property. The Zen building houses a number of tenants who relocated from elsewhere on the Nanotech Campus as well as new tenants. The Zen building also houses a New York State Tier III Computer Center. The source of the funds for construction of Zen building was New York State grants and debt (notes 9).
- In addition to the above, which are all located on the SUNY Poly campus in Albany, the Corporation owns property in three other New York locations: downtown Albany, Greece and, until June 2017, Canandaigua (note 5).

(b) Basis of Presentation

The accompanying financial statements of the Corporation are presented consistent with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, which addresses the presentation of financial statements for not-for-profit entities. In accordance with the provisions of ASC 958, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor and grantor imposed restrictions. Accordingly, unrestricted net assets are amounts not subject to donor and grantor imposed restrictions and are available for operations. Temporarily restricted net assets are those whose use has been limited by donors or grantors to a specific time period or purpose. When a donor or grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

From time to time, the Corporation may incur costs for research tools and to support the research and development programs being conducted by the Research Foundation at the Corporation’s facilities. Pursuant to an agreement with the Research Foundation, dated December 12, 2005, the Corporation donates to the Research Foundation the research tools it purchases or grant monies it receives for the research tools the Research Foundation purchases in support of these initiatives, which are reflected as transfers to the Research Foundation in the statement of activities.

(c) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, exclusive of assets limited as to use.

(d) Assets Limited as to Use

Assets limited as to use include assets held by trustees under bond indenture agreements, grant proceeds restricted for specific nanotechnology initiatives, and funds designated by the Corporation's Board of Directors for capital replacement. Investments included as assets limited as to use consist of cash equivalents and U.S. government obligations, which are measured at fair value in the balance sheets. Investment income (including net realized and unrealized gains and losses on investments, interest, and dividends) are included in the statements of activities consistent with the purpose and restrictions of the funds.

(e) Fair Value Measurements

The Corporation estimates fair value on a valuation framework that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); then to quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, or models that use inputs that are either directly or indirectly observable (Level 2 measurements); and the lowest priority to unobservable inputs in models (Level 3 measurements).

Cash equivalents, including those within assets limited as to use, are stated at fair value using Level 1 measurements. The Corporation's U.S. government obligations included in assets limited as to use are stated at fair value as determined by broker or dealer quotations of similar instruments, which is considered a Level 2 measurement. The Corporation's interest rate swaps are stated at fair value as determined by pricing tools that use observable inputs, and therefore are considered a Level 2 measurement.

(f) Concentration of Credit Risk

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist primarily of cash equivalents and U.S. Government obligations, included in assets limited as to use. The risk associated with temporary cash investments is mitigated by the fact that the investments are placed with what management believes are high quality financial institutions.

(g) Buildings and Equipment

Buildings and equipment are stated at cost or, if acquired by gift, at fair market value at the date of donation. Depreciation of buildings and equipment is calculated on a straight-line basis over the estimated useful lives of the assets, ranging from 7 to 40 years. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets (note 5). Assets recorded as capital leases are amortized over the shorter of their lease term or their useful lives. Lease amortization is included within depreciation and amortization.

Buildings and equipment, and any other long-lived tangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If circumstances require such a long-lived asset or asset group be tested for possible impairment, the Corporation first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. See note 5.

(h) Deferred Financing Costs

Deferred financing costs, which relate to the issuance of debt, are being amortized ratably over the period the associated debt is outstanding, using the straight-line method (see note 1(m)).

(i) Rental Income and Other Support

Rental income represents amounts received from various tenants, including the Research Foundation, pursuant to noncancelable operating leases and strategic alliance agreements. In addition, the Corporation receives in-kind support in lieu of rent from related organizations (the Research Foundation and SUNY Poly) who occupy space in these facilities (see notes 6 and 7).

Lease payments related to future periods are recorded as deferred rent and will be recognized as rental income in the period to which they relate. Rental agreements with escalating rent payment terms, rent holidays or concessions are recognized as rental income on a straight-line basis over the minimum lease term.

(j) Income Taxes

The Corporation is a tax exempt organization under Section 501(c)(25) of the Internal Revenue Code, and is exempt from Federal income taxes pursuant to Section 501(a) of the Code. The Corporation applies the provisions of ASC 740-10, *Accounting for Uncertainty of Income Taxes*, which addresses accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely than-not for recognition of tax positions taken or expected to be taken in a tax return. ASC 740-10 also provides guidance on measurement, classification, interest and penalties, and disclosure of tax uncertainties. Management has evaluated ASC 740-10 and concluded that there are no uncertain tax positions that impact the Corporation's financial statements for the years ended June 30, 2017 and 2016.

(k) Derivative Instruments and Hedging Activities

The Corporation accounts for derivatives and hedging activities in the balance sheet at their respective fair values. As the Corporation does not report earnings as a separate caption in a statement of financial performance, it recognizes the change in fair value on all derivative instruments as a change in net assets in the period of change (note 10).

(l) Use of Estimates

Management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingencies to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(2) Grant Related Receivables

The following is a summary of significant grants and related receivables outstanding as of June 30, 2017 and 2016:

The INDEX Program began in 2006 and has been renewed periodically since that time. At June 30, 2017, substantially all of the funds had been expended on the project all of which had been received as of June 30, 2017, and $3.3 million due from ESD at June 30, 2016.

The Corporation executed a grant from the Research Foundation for a portion of the purchase and renovation of Canal Ponds, in Greece, NY. As of June 30, 2017, the grant award was spent, all of which had been received as of June 30, 2017, and $1.2 million was due from the Research Foundation at June 30, 2016.

On March 13, 2015, the Corporation executed a grant disbursement agreement with the Dormitory Authority of the State of New York (DASNY) for $35.0 million in support of the New York PEMC and the renovations to house the Advanced Technology Silicone Carbide Line at SUNY Poly’s Albany campus. At June 30, 2017 $33.9 million had been expended on the project, and $5.5 million was due from DASNY. As of June 30, 2016, $22.4 million was due from DASNY.

During the years ended June 30 2017 and 2016, the Corporation executed several grant disbursement agreements with ESD for a total of $100.0 million for the New York PEMC project. During 2017 and 2016, $45.0 million and $33.0 million were expended on these grants, respectively, of which $12.2 million and $17.6 million were due from ESD as of June 30, 2017 and 2016, respectively.

In connection with an ESD PEMC grant, during 2016, approximately $6.1 million was incurred by the Research Foundation for operating costs associated with the project’s cleanroom space, which was expected to be reimbursed by the Corporation using ESD grant funds, as of June 30, 2016. The Corporation requested reimbursement from ESD for these costs in 2016. During 2017, ESD denied reimbursement of these costs. As a result, the grant revenue and receivable originally recorded in 2016 were reversed in 2017 and the corresponding cost incurred and amount owed to the Research Foundation was also reversed. No cash was exchanged as it relates to this series of transactions.

In addition to the above, as of June 30, 2017 and 2016, $2.5 million and $1.5 million, respectively, was due from the Research Foundation for grant expenditures incurred by the Corporation on the Research Foundation’s behalf.

(3) Assets Limited as to Use

The composition of assets limited as to use at June 30, is set forth in the following table. Investments are stated at fair value:

		2017	2016
By debt agreements (note 9):			
Cash and cash equivalents	$	6,857,676	7,507,585
U.S. government obligations		6,016,442	6,016,442
	$	12,874,118	13,524,027
Under grant agreements:			
Cash and cash equivalents	$	8,637,610	2,181,680
By board for capital replacement:			
Cash and cash equivalents	$	1,815,515	1,815,515

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets are available at June 30 for the following:

		2017	2016
Accumulated investment income to support nanotechnology initiatives	$	81,680	2,181,680
Facility improvement projects		22,909	22,909
Support of rental payments of NanoFab 200		—	79,167
	$	104,589	2,283,756

The Corporation received multiple grants over the past several years from the State of New York to construct facilities and to purchase and install equipment (research and development tools) in support of nanotechnology initiatives. Pursuant to these grants, the Corporation transferred cash to the Research Foundation during 2017 and 2016, totaling $39.5 million and $16.8 million, respectively, in support of these initiatives.

(5) Buildings and Equipment

Buildings and equipment at June 30 are summarized as follows:

		2017	2016
Land	$	1,310,000	1,310,000
Buildings and permanent fixtures		881,556,701	904,393,391
Furnishings and equipment		23,787,147	23,437,620
		906,653,848	929,141,011
Less accumulated depreciation		256,119,750	219,186,574
		650,534,098	709,954,437
Construction in progress		57,877,093	22,263,611
Net buildings and equipment	$	708,411,191	732,218,048

During 2016, the Corporation began a $135.0 million renovation of the NanoFab 300N cleanroom to create the New York PEMC and the renovations to house the Advanced Technology Silicone Carbide Line. At June 30, 2017, $111.9 million had been expended on these projects for construction and equipment, of which approximately $57.9 million was included in construction in progress and approximately $54.0 million has been transferred to the RF in support of these programs.

For the years ended June 30, 2017 and 2016, depreciation expense was $42.6 million and $42.2 million, respectively.

In June 2017, the Corporation sold its Smart System Technology & Commercialization Center (STC) located in Canandaigua, to a third party for $1.8 million. The carrying value of the facilities, including the building and related equipment, was $6.1 million. As a result, the Corporation recognized a $4.4 million loss on sale of the facility during the year ended June 30, 2017.

During 2017, in connection with its long-term planning, the Corporation assessed the carrying value of certain properties versus the fair value, as determined by a third-party appraiser using comparable market values and cash flow projections as observable inputs into a model (Level 2 fair value measurement), and as a result recognized a $4.0 million impairment for one of its properties. No impairment losses were recognized for the year ended June 30, 2016.

It is the Corporation’s policy to capitalize the interest cost associated with significant capital additions as a component of the cost of such assets, which is then amortized over the asset’s estimated useful life. For the years ended June 30, 2017 and 2016, no interest was capitalized.

(6) Transactions with Related Parties

Research Foundation

The Corporation leases space to the Research Foundation on behalf of SUNY Poly, of which a small portion is in exchange for certain maintenance services and payment of utilities (in-kind support). The Corporation recognized rental and related income from the Research Foundation of approximately $46.1 million and $47.1 million for the years ended June 30, 2017 and 2016, respectively. Of this amount, $0 and approximately $800 thousand was recognized as in-kind support.

In November 2011, The Corporation entered into a noncancelable lease agreement, as amended, with the Research Foundation to lease approximately 140,000 gross square feet of cleanroom and office space in NanoFab X. The lease commenced on January 1, 2013 and expires on December 31, 2028. During the lease term, the Research Foundation shall pay to the Corporation basic lease payments in the annual amount equal to the greater of (a) $36.0 million or (b) all scheduled payments of principal and interest and related payments due under the Corporation's Credit Agreement (see note 9). Lease payments will be due to the Corporation monthly, in installments equal to 1/12th of the total annual amount payable by the Research Foundation. The Research Foundation has also entered into access agreements with semiconductor industry partners to provide space in NanoFab X.

In May of 2005, the Corporation entered into a noncancelable lease agreement with the Research Foundation for approximately 66,243 gross square feet of cleanroom space in the NanoFab South and North buildings. The lease commenced on May 20, 2005 and expires on September 30, 2035. During the lease term, the Research Foundation shall pay to the Corporation basic lease payments in an annual amount equal to $7.0 million. Lease payments are due to the Corporation quarterly, in installments equal to 1/4 of the total annual amount payable by the Research Foundation. The Research Foundation has also entered into access agreements with semiconductor industry partners to provide space in these cleanrooms. Rent proceeds for these facilities are used to secure the 2005A Bonds (note 9).

In addition to the above, as of June 30, 2017 and 2016, $3.3 million and $27.6 million, respectively, was due to the Research Foundation for grant funded expenditure reimbursements made on the Corporation's behalf.

SUNY

The Corporation leases the land on which its Nanotech Campus buildings reside from SUNY under land leases which began in 1994, 2011, and 2014. The 1994 lease has since been amended, the most recent of which occurred in 2005 and resulted in increased space for additional research facilities and an extension of the lease term to 40 years from the effective date of the amendment. Under the terms of the lease, the annual rental cost payable to SUNY was $1.00 for the first three years from the date of the original lease. Beginning in the fourth year, the annual rent is determined by SUNY's Board of Trustees as it deems appropriate. Such amounts have remained at $1 per year through the year ended June 30, 2017.

The 2011 lease added approximately 5 acres to the northern most area of the campus, upon which NanoFab X was constructed. The 2011 lease has a term of 40 years and an annual rental cost of $1 per year. The 2014 lease is for an additional contiguous 6 acre parcel, upon which the Zen building was constructed. This lease is for 40 years with annual rent of $1 per year over the term of the lease.

In addition to the above arrangements, the Corporation provides a small portion of space on its campus to the SUNY in exchange for certain maintenance services and utilities cost (in-kind support). The amounts related to in-kind support are were $349 thousand and $38 thousand, which are reflected in the statements of activities as rental revenue and contracted services and utilities expense for the years ended June 30, 2017 and 2016, respectively. There were no formal agreements between the Corporation and SUNY relative to the provision of in-kind support for the years ended June 30, 2017 and 2016.

State of New York

On January 22, 2013, the Corporation entered into a lease with the State of New York for 10,000 square feet of data center space in NanoFab X, 30,000 square feet of data center in the Zen building, and 14,573 square feet of office space in NFE. Subsequent to lease execution and prior to occupation or commencement, on January 15, 2015, it was agreed by the parties to relocate the 14,573 of office space from NFE to the Zen building. The lease term is for 15 years from the date of commencement of each space. The Corporation recognized rental income from the State of New York of approximately $6.4 million and $6.2 million for the years ended June 30, 2017 and 2016, respectively.

(7) Rental Income

The Corporation currently leases space to various tenants, including the Research Foundation and the State of New York (note 6), under noncancelable operating leases. Following is a summary of approximate minimum rental income from these agreements for the next five years as of June 30, 2017:

2018	$	61,558,737
2019		62,306,168
2020		62,564,540
2021		61,233,780
2022		59,840,497

(8) Capital Lease

During 2014, the Corporation entered into a capital lease with respect to the Tech Valley High School building located in Albany, on the SUNY Poly campus in Albany. Future minimum lease payments, under the capital lease obligation, are as follows, as of June 30, 2017:

Year ending June 30:		
2018	$	705,250
2019		705,250
2020		734,635
2021		740,512
2022		740,512
Thereafter		9,525,238
Total minimum lease payments		13,151,397
Less amounts representing imputed interest (rate of 5.9%)		4,872,714
Present value of net minimum lease payments	$	8,278,683

(9) Bonds and Credit Agreement Payable

Bonds and credit agreement payable consists of the following at June 30:

		2017	2016
Taxable revenue bonds, Series 2005A	$	67,795,000	69,895,000
Taxable revenue bonds, Series 2007		46,495,000	47,455,000
NFX Credit Agreement		140,151,500	171,615,000
Taxable revenue bonds, Series 2014A		95,000,000	95,000,000
Taxable revenue bonds, Series 2014B		89,210,086	88,150,950
		438,651,586	472,115,950
Less:			
Unamortized original issue discount		178,937	188,608
Unamortized deferred financing costs		7,016,852	9,837,689
	$	431,455,797	462,089,653

- *Series 2005A* – The Corporation issued taxable revenue bonds, Series 2005A, with a face value of $84.0 million (Series 2005A Bonds) on November 22, 2005. Proceeds from the Series 2005A Bonds were used to provide funding for Phase II construction of the remaining fit-up of the NanoFab 300N cleanroom, refinancing of amounts from a revolving loan and the balance of an existing term note related to NanoFab 300S, fund a debt service reserve fund, and pay for issuance costs. The Series 2005A Bonds are secured by an assignment of Research Foundation leases and rents associated with NanoFab South and North cleanroom space constructed by the Corporation. See note 6.

The Series 2005A Bonds were issued with fixed interest rates ranging from 5.00% to 5.85% and are subject to a 30-year amortization period. Interest payments are due semi-annually on March 1 and September 1 of each year. Principal payments are due annually on September 1 through 2035. The portion of the Series 2005A Bonds maturing on or after September 1, 2015 are subject to redemption provisions in whole, at any time, or in part, on any interest payment date, at 100% of the principal amount plus accrued interest at the date of redemption.

- *Series 2007* – The Corporation issued Letters of Credit Secured Multi-Mode Variable Rate Demand Bonds, Series 2007, with a face value of $52,300,000 (Series 2007 Bonds) on June 19, 2007. Proceeds from the Series 2007 Bonds were used to provide funding for NanoFab East, for repayment of a $10.0 million prefinancing construction demand line of credit and to pay for issuance costs. The permanent financing is secured by an assignment of the Corporation's leases with tenants of the NanoFab East and leasehold mortgages (land lease) on NanoFab East and NanoFab Central. The Research Foundation has a five year lease of office and lab space that commenced in February of 2009 with annual minimum rental payments of approximately $2.2 million. This lease continued in 2017 and 2016 under the original lease terms and annual rent payments were $2.7 million and $2.6 million during 2017 and 2016, respectively. The Series 2007 Bonds are a general obligation of the Corporation.

  The Series 2007 Bonds were originally issued as variable interest rate demand bonds which were remarketed weekly at a rate set by the remarketing agent according to similar variable bonds.

  On February 1, 2013, the Corporation voluntarily executed an agreement with KeyBank converting the Series 2007 variable rate demand bonds to bank held bonds, which require quarterly payments of principal and interest with a variable interest rate of LIBOR plus 1.95% (3.01% and 2.41% at June 30, 2017 and 2016, respectively). The term of the agreement is five years through February 1, 2018, with a 25 year amortization consistent with the original issuance, after which time the agreement can be renewed. If the parties elect not to renew at that time, the agreement allows KeyBank to require the Corporation to change the mode of the bonds, refinance or otherwise exit KeyBank from the bonds at KeyBank's option. The Corporation would then be free to sell the bonds to another purchaser.

  On December 21, 2017, the Series 2007 Bonds were modified to change the long-term rate period, effective February 1, 2018. The next long-term rate period will end on May 1, 2019. The bonds will be retained by the bank and the interest rate for the next long term rate period will be one month LIBOR plus 250 basis points (2.5%). All other significant terms remained consistent with the existing terms.

- *NFX Credit Agreement* – In May 2012, the Corporation entered into a $251.4 million Syndicated Loan Credit Agreement (NFX Credit Agreement) with Manufacturers and Traders Trust Company (M&T Bank), the Administrator and lead creditor, and a syndicate of other financial institution lenders. The Credit Agreement provided construction and permanent funding for construction of the NanoFab X facility and associated debt-financing costs of approximately $8.3 million.

Commencing April 1, 2013, the Corporation began making principal payments, which are due quarterly over a six-year term with a balloon payment of $61.7 million due at maturity in May 2019. The Corporation may make voluntary prepayments without penalty at any time, subject to the terms of the NFX Credit Agreement.

The interest rate on amounts outstanding under the NFX Credit Agreement is equal to the 30 day LIBOR rate plus 222 basis points. The interest rate was 3.27% and 2.77% at June 30, 2017 and 2016, respectively. The NFX Credit Agreement allows the Corporation to elect to apply an alternative LIBOR based rate to borrowings outstanding. Borrowings under the NFX Credit Agreement are collateralized by a mortgage interest in the NanoFab X premises, including the building and related fixtures, and an assignment of a master lease of the premises (see note 6).

On November 18, 2013, the Corporation executed an amendment to the NFX Credit Agreement (First Amendment) borrowing an additional $14.5 million, at the same terms, to finance the cost of tenant fit-out for New York State's data center housed in the NFX facility.

- *Series 2014 A and B* – On December 23, 2014, the Albany County Capital Resource Corporation issued taxable revenue bonds, consisting of Series 2014A (face value of $95,000,000) and Series B (face value of $90,375,000), collectively Series 2014 Bonds. Proceeds from the Series 2014 Bonds were used to provide funding for the construction of the Zen building. During the construction phase the Series 2014 Bonds accrued interest at LIBOR plus 2.25%. Upon occupancy, the rate changed to LIBOR plus 2%. Pursuant to the terms of the borrowings, the rates further reduced to LIBOR plus 1.75% on October 27, 2016, upon execution of leases for 75% of the building's net leasable square feet. The bonds are secured by a leasehold mortgage on both the Zen and CESTM buildings, an assignment of leases and rents from the Zen and CESTM buildings and a subordinate lien on the revenues from the NFN lease with the Research Foundation. Bond principal payments commence in 2018 and amortize over a 30-year period ending in 2046, with a mandatory tender on May 8, 2019. The Series 2014A bonds have an option for conversion to a tax exempt rate if certain conditions are met. Financing costs incurred for this loan were approximately $5.8 million and are being recognized over the term of the bonds.

Under the terms of the bond indentures, the Corporation established certain bank trusteed accounts with the proceeds of the Series 2005A, 2005B, and 2007 Bonds, including the maintenance of a debt service reserve fund for Series 2005A. In addition, the Corporation is required to deposit quarterly lease payments from the Research Foundation into the revenue fund, established by the bank trustee, for payment of debt service on the 2005A Bonds.

The Corporation must satisfy certain financial performance and reporting requirements as long as the bonds and Credit Agreement are outstanding. For the Series 2007 Bonds, the Corporation is required by the bank to fund quarterly a specified amount for a replacement reserve fund. For the Series 2014 Bonds, the Corporation was required to deposit $2.1 million into an Interest Reserve/Maintenance fund by June 1, 2017, which was deposited on June 27, 2017. This instance of noncompliance was waived by the respective financial institutions. In addition, the Corporation is required to file certain financial information with its banks on a periodic basis. From time to time, such financial information was not submitted within the required timeframe. The lending institutions have waived these instances of noncompliance.

Included in the accompanying financial statements, classified as assets limited as to use, are the Corporation's balances in these funds at June 30 as follows:

	2017	2016
Series 2005 Bonds:		
Debt service fund	$ 39	14
Debt service reserve fund	6,542,739	6,537,568
Revenue fund	1,451,769	4,545,046
	7,994,547	11,082,628
Series 2007 Bonds:		
Replacement reserve fund	2,779,571	2,441,399
Series 2014 A and B:		
Interest/maintenance reserve	2,100,000	—
	$ 12,874,118	13,524,027

Following are the required principal payments on the Series 2005A, 2007, 2014A and 2014B bonds and the Credit Agreement, excluding contingent prepayments (if any), for the next five years as of June 30, 2017:

Year ending June 30:	
2018	$ 39,772,172
2019	336,339,586
2020	2,460,000
2021	2,600,000
2022	2,740,000
Subsequent	54,739,828

The table above reflects the modification of the Series 2007 Bonds maturity to May 1, 2019.

(10) Interest Rate Swap Agreements

The Corporation has entered into interest rate swap agreements (interest rate swap or swaps) to hedge variability in cash flows associated with interest payments on long-term debt. These interest rate swap agreements effectively convert long-term debt issuances from variable interest rates to a fixed interest rate. Interest rate swaps do not relieve the Corporation from its obligations under the long-term debt issuances.

The Corporation records the fair value of the interest rate swaps as an asset or liability on the balance sheets at June 30, 2017 and 2016, and reflects the change in the fair value of the interest rate swaps as a change in unrestricted net assets in the statements of activities for the years ended June 30, 2017 and 2016.

A summary of the swaps outstanding is below:

Swap agreement		Notional value as of June 30 2017	Notional value as of June 30 2016		Fair value as of June 30 asset (liability) 2017	Fair value as of June 30 asset (liability) 2016		Change in fair value
Series 2007 Bonds (a)	$	46,750,000	47,690,000		18	(2,498,278)		2,498,296
Series 2014A Bonds (d)		95,000,000	95,000,000		177,150	(1,480,618)		1,657,768
Series 2014B Bonds (e)		70,000,000	70,000,000		242,818	(1,344,584)		1,587,402
Credit Agreement:								
M&T Bank (b)		68,715,150	82,720,350		227,554	(804,173)		1,031,727
KeyBank (c)		35,337,050	43,972,950		217,636	(275,860)		493,496
TD Bank (c)		9,462,200	12,563,700		(63,992)	(92,257)		28,265
Interest rate swap liability, net				$	801,184	(6,495,770)		
Change in fair value of interest rate swaps for year ended June 30, 2017							$	7,296,954

a) Swap with KeyBank with regard to the Series 2007 Bonds matured on July 1, 2017. The swap provided for the Corporation to pay a fixed rate of interest over the term of the swap of 5.84%. The variable rate received by the Corporation under the swap was equal to the 30 day LIBOR rate on the first of the month.

b) Swap with M&T Bank for a portion of the Credit Agreement, the term of which is concurrent with the term of the Credit Agreement and matures on May 8, 2019. The swap provides for the Corporation to pay a fixed rate of interest over the term of the interest rate swap of 1.22%. The variable rate received by the Corporation under the swap is equal to the 3 month LIBOR rate on the first day of the quarter. The Corporation also entered into an additional swap with M&T Bank with regard to the First Amendment to the Credit Agreement, which matures on April 1, 2019. The swap provides for the Corporation to pay a fixed rate of interest over the term of the swap of 1.453%. The variable rate received by the Corporation under the swap is equal to the 3 month LIBOR rate on the first day of the quarter.

c) The Corporation entered into two additional swaps with regard to the Credit Agreement. These swaps are with KeyBank and TD Bank, and have terms which are concurrent with the term of the Credit Agreement, and mature on May 8, 2019. Both swaps provide for the Corporation to pay a fixed rate of interest over the term of the interest rate swap of 1.08%. The variable rate received by the Corporation under the swap is equal to the 3 month LIBOR rate on the first day of the quarter.

d) Swap with M&T Bank with regard to the Series 2014A Bonds that mature on May 8, 2019. The swap provides for the Corporation to pay a fixed rate of interest over the term of the interest rate swap of 1.302%. The variable rate received by the Corporation under the swap is equal to the 30 day LIBOR rate on the first of the month.

e) Swap with KeyBank with regard to a portion of the Series 2014B Bonds that mature on May 8, 2019. The interest rate swap provides for the Corporation to pay a fixed rate of interest over the term of the swap of 1.018%. The variable rate received by the Corporation under the swap is equal to 75% of the 30 day LIBOR rate on the first of the month.

(11) Line of Credit

In March 2013, the Corporation entered into an unsecured line of credit facility with M&T Bank with an available limit of $15.0 million. Funds available under the line are available for the short-term liquidity needs of the Corporation and borrowings are payable on demand. The line of credit bears interest at monthly LIBOR plus 2.25%, as amended, and requires the Corporation to meet certain covenants on a periodic basis. On May 27, 2014 the line was increased to $65.0 million to provide bridge financing for the Zen building construction. The available limit returned to $15.0 million upon the closing of the permanent financing for the Zen building on December 22, 2014 (see note 9). The outstanding balance on the line of credit was approximately $11.6 million at June 30, 2017 and $12.8 million at June 30, 2016.

(12) Commitments and Contingencies

In the normal course of operations, the Corporation has been named as a defendant in legal actions. The ultimate outcome of these actions cannot be determined at this time. However, the Corporation intends to vigorously defend the legal actions. In the opinion of management, the ultimate amounts, if any, required to settle such litigations are not expected to have a material effect on the financial condition of the Corporation.

In September 2016, a criminal complaint was filed by the New York State Office of the Attorney General against a former member of the board of the directors of the Corporation for allegedly conspiring to secretly manipulate certain Corporation procurement and contracting activities. The Corporation is cooperating with the investigation and is aware of no claims alleged against the Corporation related to this matter.

(13) Subsequent Events

The Corporation considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on December 21, 2017 and subsequent events have been evaluated through that date.

FULLER ROAD MANAGEMENT CORPORATION

Schedule of Increase (Decrease) in Unrestricted Net Assets

Year ended June 30, 2017

	NanoFab East	NanoFab X	Zen	Other buildings*	Total
Support and revenue:					
Rental income and other support	$ 7,023,184	41,194,377	9,438,479	10,599,057	68,255,097
Investment income	—	—	—	310,238	310,238
Net assets released from restrictions:					
Satisfaction of program designation restrictions	—	—	—	49,782,160	49,782,160
Satisfaction of construction of facilities restrictions	—	—	—	16,825,031	16,825,031
Satisfaction of time restrictions	—	—	—	79,167	79,167
Total support and revenue	7,023,184	41,194,377	9,438,479	77,595,653	135,251,693
Expenses and equity transfers:					
Contracted services	458,491	49,643	641,395	2,174,416	3,323,945
Repairs, maintenance, and supplies	47,680	83,550	126,642	1,541,039	1,798,911
Utilities	389,914	482,347	413,200	1,365,221	2,650,682
Insurance and other	86,253	13,746	174,585	556,771	831,355
Professional fees	—	—	325	1,957,990	1,958,315
Other project costs	—	—	—	—	—
Interest expense	3,650,108	5,033,766	6,144,766	4,931,801	19,760,441
Depreciation and amortization	3,441,425	20,370,107	6,961,260	15,257,746	46,030,538
Transfers to The Research Foundation for the State University of New York	—	—	—	39,540,014	39,540,014
Total expenses and equity transfers	8,073,871	26,033,159	14,462,173	67,324,998	115,894,201
Increase (decrease) in net assets before other changes in net assets	(1,050,687)	15,161,218	(5,023,694)	10,270,655	19,357,492
Other changes in net assets:					
Change in fair value of interest rate swaps	2,498,296	1,553,488	3,245,170	—	7,296,954
Asset impairment	—	—	—	(3,950,641)	(3,950,641)
Loss on sale of facility	—	—	—	(4,385,463)	(4,385,463)
Increase (decrease) in net assets	$ 1,447,609	16,714,706	(1,778,524)	1,934,551	18,318,342

* Other buildings includes the activities of all other buildings on the Nanotech Campus, and all other locations – the Smart System Technology Center, Canal Ponds and Kiernan Plaza.

See accompanying notes to financial statements.