



**NEW YORK CENTER FOR RESEARCH, ECONOMIC ADVANCEMENT,  
TECHNOLOGY, ENGINEERING AND SCIENCE CORPORATION**

Consolidated Financial Statements and Supplementary Information

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

**NEW YORK CENTER FOR RESEARCH, ECONOMIC ADVANCEMENT,  
TECHNOLOGY, ENGINEERING AND SCIENCE CORPORATION**

Consolidated Financial Statements and Supplementary Information

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KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## Independent Auditors' Report

The Board of Directors  
NY CREATES:

We have audited the accompanying consolidated financial statements of New York Center for Research, Economic Advancement, Technology, Engineering and Science Corporation (NY CREATES), which comprise the balance sheets as of June 30, 2020 and 2019, the related statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of NY CREATES as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

### *Emphasis of Matters*

#### Related Parties

As discussed in note 6 to the consolidated financial statements, NY CREATES 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.



#### Comparative combined financial information

As discussed in note 1(b) to the consolidated financial statements, the comparative financial information for the period prior to December 2019 represents the combined financial statements of Fuller Road Management Corporation and Fort Schuyler Management Corporation, entities under the common control of NY CREATES. 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 consolidated financial statements as a whole. The supplementary information included in Schedules 1 – 7 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*KPMG LLP*

Albany, New York  
February 18, 2021

**NEW YORK CENTER FOR RESEARCH, ECONOMIC ADVANCEMENT,  
TECHNOLOGY, ENGINEERING AND SCIENCE CORPORATION**

Consolidated Balance Sheets

June 30, 2020 and 2019

| <b>Assets</b>                           | <b>2020</b>           | <b>2019</b>        |
|---|-----------------------|--------------------|
| Cash and cash equivalents               | \$ 19,432,519         | 18,458,585         |
| Rent and related receivables            | 8,168,114             | 8,590,411          |
| Grant related receivables               | 2,500,000             | 2,500,000          |
| Due from member                         | 1,595,699             | 952,690            |
| Prepaid expenses                        | 263,482               | —                  |
|   | <b>31,959,814</b>     | <b>30,501,686</b>  |
| Assets limited as to use:               |                       |                    |
| By debt agreements                      | 10,676,327            | 16,997,226         |
| Under grant agreements                  | 84,510,700            | 100,670,918        |
| By board for capital replacement        | 1,815,515             | 1,815,515          |
|   | <b>97,002,542</b>     | <b>119,483,659</b> |
| Land, buildings and equipment, net      | <b>627,959,798</b>    | <b>684,403,125</b> |
| Total assets                            | <b>\$ 756,922,154</b> | <b>834,388,470</b> |
| <b>Liabilities and Net Assets</b>       |                       |                    |
| Liabilities:                            |                       |                    |
| Accrued interest payable                | \$ 2,900,233          | 3,424,176          |
| Construction and other costs payable    | 14,374,496            | 21,279,965         |
| Line of credit                          | 14,935,667            | 13,935,667         |
| Capital lease payable                   | 7,487,221             | 7,785,650          |
| Long-term debt, net                     | 341,823,819           | 392,179,207        |
| Unearned grant funds                    | 63,573,235            | 73,408,821         |
| Deferred rent                           | 8,982,592             | 10,071,607         |
| Interest rate swaps                     | 494,829               | 1,518,112          |
| Total liabilities                       | <b>454,572,092</b>    | <b>523,603,205</b> |
| Commitments and contingencies (note 12) |                       |                    |
| Net assets:                             |                       |                    |
| Net assets without donor restrictions   | 302,245,473           | 248,360,457        |
| Net assets with donor restrictions      | 104,589               | 62,424,808         |
| Total net assets                        | <b>302,350,062</b>    | <b>310,785,265</b> |
| Total liabilities and net assets        | <b>\$ 756,922,154</b> | <b>834,388,470</b> |

See accompanying notes to financial statements.

**NEW YORK CENTER FOR RESEARCH, ECONOMIC ADVANCEMENT,  
TECHNOLOGY, ENGINEERING AND SCIENCE CORPORATION**

Consolidated Statements of Activities

Years ended June 30, 2020 and 2019

|  | 2020                         |                           |                    | 2019                         |                           |                     |
|--|------------------------------|---------------------------|--------------------|------------------------------|---------------------------|---------------------|
|  | Without donor<br>restriction | With donor<br>restriction | Total              | Without donor<br>restriction | With donor<br>restriction | Total               |
| Support and revenue:   |                              |                           |                    |                              |                           |                     |
| Rental income and other support  | \$ 71,975,539                | —                         | 71,975,539         | 72,439,735                   | —                         | 72,439,735          |
| Grants and other contributions   | 13,150,000                   | 23,575,040                | 36,725,040         | 7,300,000                    | 94,340,945                | 101,640,945         |
| Interest and dividends   | 328,241                      | —                         | 328,241            | 367,486                      | —                         | 367,486             |
| Net assets released from restrictions:                                       |                              |                           |                    |                              |                           |                     |
| Satisfaction of program designation restrictions                             | 448,237                      | (448,237)                 | —                  | 2,189,120                    | (2,189,120)               | —                   |
| Satisfaction of construction of facilities restrictions                      | 85,447,022                   | (85,447,022)              | —                  | 93,571,164                   | (93,571,164)              | —                   |
| Total support and revenue  | <u>171,349,039</u>           | <u>(62,320,219)</u>       | <u>109,028,820</u> | <u>175,867,505</u>           | <u>(1,419,339)</u>        | <u>174,448,166</u>  |
| Expenses and equity transfers:   |                              |                           |                    |                              |                           |                     |
| Contracted services  | 2,604,742                    | —                         | 2,604,742          | 2,610,155                    | —                         | 2,610,155           |
| Repairs, maintenance and PILOT   | 4,455,539                    | —                         | 4,455,539          | 3,046,975                    | —                         | 3,046,975           |
| Utilities  | 2,037,973                    | —                         | 2,037,973          | 2,725,163                    | —                         | 2,725,163           |
| Rent   | 2,411,023                    | —                         | 2,411,023          | 2,366,444                    | —                         | 2,366,444           |
| Insurance and other  | 4,837,706                    | —                         | 4,837,706          | 2,489,486                    | —                         | 2,489,486           |
| Professional fees  | 1,200,914                    | —                         | 1,200,914          | 1,315,237                    | —                         | 1,315,237           |
| Interest expense   | 21,907,930                   | —                         | 21,907,930         | 20,445,110                   | —                         | 20,445,110          |
| Depreciation and amortization  | 55,420,395                   | —                         | 55,420,395         | 58,858,923                   | —                         | 58,858,923          |
| Economic development project costs, net                                      | 23,335,938                   | —                         | 23,335,938         | 107,844,156                  | —                         | 107,844,156         |
| Transfers to The Research Foundation for<br>The State University of New York | 448,237                      | —                         | 448,237            | 2,189,120                    | —                         | 2,189,120           |
| Total expenses and transfers   | <u>118,660,397</u>           | <u>—</u>                  | <u>118,660,397</u> | <u>203,890,769</u>           | <u>—</u>                  | <u>203,890,769</u>  |
| Increase (decrease) in net assets, before<br>other changes in net assets     | <u>52,688,642</u>            | <u>(62,320,219)</u>       | <u>(9,631,577)</u> | <u>(28,023,264)</u>          | <u>(1,419,339)</u>        | <u>(29,442,603)</u> |
| Other changes in net assets:   |                              |                           |                    |                              |                           |                     |
| Change in fair value of interest rate swaps                                  | 1,023,283                    | —                         | 1,023,283          | (4,268,599)                  | —                         | (4,268,599)         |
| Gain on sale of facility   | 89,012                       | —                         | 89,012             | —                            | —                         | —                   |
| Extinguishment of debt and associated fees                                   | (2,107,921)                  | —                         | (2,107,921)        | —                            | —                         | —                   |
| Realized gain on sale of investment  | 2,192,000                    | —                         | 2,192,000          | —                            | —                         | —                   |
| Increase (decrease) in net assets  | <u>1,196,374</u>             | <u>—</u>                  | <u>1,196,374</u>   | <u>(4,268,599)</u>           | <u>—</u>                  | <u>(4,268,599)</u>  |
| Increase (decrease) in net assets  | 53,885,016                   | (62,320,219)              | (8,435,203)        | (32,291,863)                 | (1,419,339)               | (33,711,202)        |
| Net assets, beginning of year  | <u>248,360,457</u>           | <u>62,424,808</u>         | <u>310,785,265</u> | <u>226,649,817</u>           | <u>117,846,650</u>        | <u>344,496,467</u>  |
| Net assets, end of year  | <u>\$ 302,245,473</u>        | <u>104,589</u>            | <u>302,350,062</u> | <u>194,357,954</u>           | <u>116,427,311</u>        | <u>310,785,265</u>  |

See accompanying notes to financial statements.

**NEW YORK CENTER FOR RESEARCH, ECONOMIC ADVANCEMENT,  
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Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

|   | <b>2020</b>    | <b>2019</b>   |
|---|----------------|---------------|
| Operating activities:   |                |               |
| Change in net assets  | \$ (8,435,203) | (33,711,202)  |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                |               |
| Depreciation and amortization   | 55,420,395     | 58,858,923    |
| Amortization of bond discount   | 7,254          | 9,672         |
| Extinguishment of debt  | 2,008,265      | —             |
| Loss on sale of facility  | (89,012)       | —             |
| Amortization of deferred financing cost   | 3,927,747      | 2,145,090     |
| Grants and contributions restricted for capital projects                                    | (13,786,510)   | (93,638,570)  |
| Economic development cost   | 23,335,938     | 107,844,156   |
| Change in fair value of interest rate swaps   | (1,023,283)    | 4,268,599     |
| Cash transfers to The Research Foundation for The State University of New York              | 448,237        | 2,189,120     |
| Changes in assets:  |                |               |
| Rent and other receivables  | 428,497        | 543,284       |
| Due from member   | (643,009)      | (54,960)      |
| Prepaid expenses  | (263,482)      | —             |
| Changes in liabilities:   |                |               |
| Construction and other costs payable  | (239,412)      | (908,636)     |
| Deferred rent   | (1,089,015)    | (1,758,090)   |
| Unearned grant funds  | (9,835,586)    | (2,973,453)   |
| Accrued interest payable  | (523,943)      | 93,420        |
| Net cash provided by operating activities   | 49,647,878     | 42,907,353    |
| Investing activities:   |                |               |
| Sales of investments held   | 57,499,045     | 37,986,911    |
| Purchases of investments  | (51,482,574)   | (37,389,998)  |
| Cash received for sale of facility and equipment  | 1,500,000      | 2,250,000     |
| Construction and equipment additions and project development costs                          | (30,342,995)   | (101,315,595) |
| Net cash used in investing activities   | (22,826,524)   | (98,468,682)  |
| Financing activities:   |                |               |
| Issuance of Series 2020 bonds, net of discount  | 316,416,626    | —             |
| Borrowing from bonds and credit agreement payable   | —              | 297,030       |
| Principal payment on long-term debt   | (370,237,916)  | (49,894,536)  |
| Borrowing on line of credit   | 1,000,000      | 2,338,589     |
| Debt modification payments  | —              | (2,571,784)   |
| Payments for financing costs  | (2,483,564)    | —             |
| Payments on capital lease   | (298,429)      | (253,571)     |
| Grants and contributions restricted for capital projects                                    | 13,739,454     | 96,392,819    |
| Cash transfers to The Research Foundation for The State University of New York              | (448,237)      | (2,189,120)   |
| Net cash (used in) provided by financing activities   | (42,312,066)   | 44,119,427    |
| Net decrease in cash and cash equivalents   | (15,490,712)   | (11,441,902)  |
| Cash and cash equivalents, beginning of year  | 131,925,773    | 143,367,675   |
| Cash and cash equivalents, end of year  | \$ 116,435,061 | 131,925,773   |
| Supplemental disclosure of cash flow information:   |                |               |
| Assets limited as to use included in cash and cash equivalents                              | \$ 97,002,542  | 113,467,188   |
| Cash paid for interest  | 18,045,665     | 18,181,928    |

See accompanying notes to financial statements.

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**(1) Organization and Summary of Significant Accounting Policies**

**(a) Organization**

The New York Center for Research, Economic Advancement, Technology, Engineering and Science Corporation (NY CREATES) was incorporated on May 8, 2018 pursuant to Section 402 of the Not-For-Profit Corporation Law of New York State. Pursuant to its Certificate of Incorporation, NY CREATES was formed for the purpose of advancing scientific research, education and economic development within New York State. Specifically the purpose of NY CREATES is to facilitate the attraction and expansion of innovative research and development projects and facilities, and to develop strategic assets that support the growth of high technology companies throughout the State in cooperation with the State University of New York (SUNY) and the New York State Urban Development Corporation d/b/a Empire State Development (ESD).

To facilitate the implementation of NY CREATES's purpose and mission, in December 2019, NY CREATES became the sole member of two existing affiliated tax-exempt corporations, Fuller Road Management Corporation (FRMC) and Fort Schuyler Management Corporation (FSMC), thus replacing their then existing members, the Research Foundation for The State University of New York (the Research Foundation) and SUNY Polytechnic Foundation, Inc. (SPF). Concurrently, the Research Foundation and SPF became the members of NY CREATES.

FRMC 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. Pursuant to its Certificate of Incorporation, FRMC was formed and shall be operated exclusively for the purpose of holding title to property and collecting income therefrom. Its mission is to purchase, acquire, own, hold, improve and develop lands, buildings and other real property improvements that provide facilities that promote research, education and economic development. FRMC's facilities at its Albany New York campus are located on land leased from SUNY and total approximately 1.44 million gross square feet, of which 127,000 gross square feet are cleanroom facilities.

FSMC is a New York not-for-profit corporation incorporated in October 2009 under Section 402 of the New York State Not-for-Profit Corporation Law. FSMC was formed and shall be operated exclusively for scientific, educational, economic development, and charitable purposes. It achieves this objective by facilitating research and economic development activities related to the research and educational mission of SUNY by purchasing, constructing, developing and managing facilities and promoting research therein which support the economic development, research activities and the mission of the SUNY Polytechnic Institute (SUNY Poly). FSMC has constructed, owns and/or manages facilities and programs mainly in the central/western part of the New York State housing public-private partnerships, which further the research, educational and economic development missions of SUNY and SUNY Poly. Effective June 2, 2014, FSMC formed Quad C Phase I, LLC for which FSMC is the sole member. Quad C Phase I, LLC is a New York limited liability company formed to support the financing infrastructure necessary for its Quad C Building project located on the SUNY Poly campus in Utica.

The by-laws of FRMC and FSMC make each director of NY CREATES, including all ex-officio non-voting advisory representatives, deemed a director or advisory representative of FRMC and FSMC by virtue of being a director or advisory representative of NY CREATES. Further, the officers of NY CREATES serve ex-officio as the officers of FRMC and FSMC in the same office that such individuals



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Notes to Consolidated Financial Statements

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hold with NY CREATES. Lastly, each director of NY CREATES serving on a committee of NY CREATES are deemed to have been appointed as a member of the corresponding committee of FRMC and FSMC. The NY CREATES management team manages all projects in the FRMC and FSMC economic development portfolio as well as certain Research Foundation sponsored industry partner programs through coordination with the Research Foundation and SUNY.

Under NY CREATES's bylaws, each of ESD and SUNY has the right to recommend the appointment of two board directors and ESD has the right to consent to the appointment of three additional directors at large. Further, ESD's President and CEO, or his/her designee, and SUNY's Chancellor, or his/her designee, serve as non-voting, non-fiduciary advisory representatives NY CREATES's board of directors.

For the purpose of these consolidated financial statements, NY CREATES, FRMC and FSMC are collectively referred to as NY CREATES.

**(b) Basis of Presentation**

The accompanying consolidated financial statements of NY CREATES are presented consistent with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities* (ASC 958), which addresses the presentation of financial statements for not-for-profit entities. NY CREATES classifies its net assets into two categories: without donor restrictions and with donor restrictions. These two net asset categories are further defined as follows:

*Without Donor Restrictions* — Net assets that are not subject to donor-imposed restrictions. Included in this net asset category are rental and investment income and grant-related and other support without restrictions imposed by a resource provider.

*With Donor Restrictions* — Net assets that are subject to donor-imposed restrictions in which the resources, most commonly in the form of grants, are restricted for particular programs. Expiration of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

The Research Foundation participates in programs at the FRMC and FSMC facilities that are supported by grants and as a result FRMC and FSMC may reimburse the Research Foundation for project expenditures it incurs. In such situations, NY CREATES transfers to the Research Foundation grant monies it receives in support of these initiatives and they are reflected as transfers to the Research Foundation in the statement of activities.

Given the previously existing common control relationship between FRMC and FSMC, these consolidated financial statements of NY CREATES are prepared as if the previously separate FRMC and FSMC operations were reported on a combined basis for all periods prior to December 2019, when NY CREATES became the sole member of FRMC and FSMC. All historical financial information reported in these consolidated financial statements and accompanying notes to the consolidated financial statements have been prepared in this manner and use the historical carrying cost.

All transactions between FRMC, FSMC and Quad C Phase I, LLC have been eliminated in the accompanying consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**(c) Cash and Cash Equivalents**

For purposes of the statements of cash flows, NY CREATES considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**(d) Assets Limited as to Use**

Assets limited as to use include assets held by trustees under bond indenture agreements, unspent grant proceeds designated for specific nanotechnology initiatives, and funds designated by NY CREATES's Board of Directors for capital replacement. Assets limited as to use consist of cash, 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) is classified in the consolidated statements of activities consistent with the purpose and restrictions of the funds.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents included within assets limited as to use are considered restricted for the purpose of reconciling the beginning of period and end of period total cash and cash equivalents amounts reported. See footnote 1(n).

**(e) Fair Value Measurements**

NY CREATES 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. NY CREATES'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 are considered Level 2 measurements. Interest rate swaps are stated at fair value as determined by pricing tools that use observable contractual and market inputs, and therefore are considered Level 2 measurements.

**(f) Concentration of Credit Risk**

Financial instruments which potentially subject NY CREATES 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.

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Notes to Consolidated Financial Statements

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**(g) Land, Buildings and Equipment**

Land, buildings (inclusive of condominium units and permanent fixtures) and equipment (inclusive of major movable and fixed equipment and furniture and other improvements) are stated at cost or, if acquired by gift, at fair market value at the date of donation. Upon acquisition or construction of an asset and subsequent placement into service, NY CREATES recognizes depreciation on buildings and equipment, on a straight-line basis, over the estimated useful lives of the assets, which range from 5 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 9). 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, NY CREATES 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. If such estimation is necessary, fair value is determined using various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals.

Capital assets that are funded by donor grants are released from restriction upon the earlier of the date the asset is placed into service or the date at which it is determined the direct financial benefits associated with the asset are not likely sufficient to support the capitalized cost.

**(h) Economic Development Project Costs**

In connection with NY CREATES's mission to support the economic development activities that relate to the research and educational mission of SUNY, NY CREATES, or FRMC or FSMC, is a party to various arrangements in which New York State grants are provided to NY CREATES to construct, hold title, and lease facilities and equipment to corporate enterprises with the aim of, among other things, promoting job creation and investment in New York State. Such economic development projects generally create jobs and corporate investment in the communities of New York State. However, for certain projects a direct financial return is not received by NY CREATES. At inception of such projects, NY CREATES assesses the economic development program and whether the direct financial consideration to be provided to NY CREATES by corporate parties will support the invested value of the property and equipment for financial reporting purposes. If it is determined that the direct financial benefits associated with ownership of the property and/or equipment are not likely to support the past or on-going capitalized cost, such assets are reduced to the estimated cash flows and residual value that NY CREATES reasonably expects to receive over the life of the property. The difference between the cost to construct the building and purchase related equipment and the remaining balance is reported as economic development project costs, as costs are incurred, in the accompanying consolidated statement of activities.

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

For the year ended June 30, 2020, there were no such write downs. For the year ended June 30, 2019, FSMC determined such a write down of \$25.5 million was appropriate for a rental property in which the tenant rent will be below market, while the tenant also agreed to employ a specified number of positions at the property over the lease term. Other economic development project costs recognized in both 2020 and 2019 relate to current year project costs for properties which management made a similar determination in a prior fiscal year.

**(i) Deferred Financing Costs**

Deferred financing costs, which relate to the issuance of debt, are amortized ratably over the period the associated debt is outstanding, using the straight-line method. Debt issuance costs and deferred financing costs related to a debt refinancing are presented on the balance sheets as a direct deduction from the associated debt outstanding.

**(j) Rental Income and Other Support**

NY CREATES is both a lessor and a lessee and applies the guidance of ASC 840, *Leases*, to account for its lease arrangements. Rental income represents amounts received from various tenants, including the Research Foundation. The Research Foundation rental income is pursuant to non-cancelable operating leases and strategic alliance agreements. In addition, NY CREATES 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 received related to future periods are recorded as deferred rent and are 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. Straight-line rent receivable was \$7.2 million and \$7.5 million as of June 30, 2020 and 2019 and is included in rent and related receivables.

**(k) Income Taxes**

Shortly after its formation, NY CREATES applied for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (the Code). In November 2020, NY CREATES was approved and will be exempt from Federal income taxes pursuant to Section 501(a) of the Code. FRMC is a tax-exempt organization under Section 501(c)(25) of the Code and FSMC is a tax-exempt organization under Section 501(c)(3) of the Code. FRMC and FSMC are exempt from Federal income taxes pursuant to Section 501(a) of the Code. NY CREATES 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 consolidated 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 NY CREATES's consolidated financial statements for the years ended June 30, 2020 and 2019.

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**(l) Derivative Instruments and Hedging Activities**

NY CREATES accounts for derivatives and hedging activities in the balance sheet at their respective fair values. As NY CREATES 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).

**(m) Use of Estimates**

Management of NY CREATES must make various estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingencies to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

**(n) Recently Adopted Accounting Pronouncements**

In November 2016, FASB Accounting Standard Update (ASU) 2016-18, *Restricted Cash*, which requires that a statement of cash flows explain the changes during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. NY CREATES adopted ASU 2016-18 retrospectively as of July 1, 2018 to reconcile the beginning-of-period and end-of-period total amounts shown on the statement of cash flows, which had previously been classified as an investing activity in the historical consolidating statement of cash flows. The amount of cash previously excluded from the statement of cash flows and reported only as assets whose use is limited as of June 30, 2018 was \$14.7 million.

**(o) Coronavirus Pandemic (COVID-19)**

In March 2020, the economies of New York State and the broader United States were affected by the COVID-19 pandemic. The impact on NY CREATES's operations thus far has not been material. Demand for space (including office, clean room and lab) has not diminished and receipt of lease revenue and grant proceeds have not lagged behind expectations.

**(2) Liquidity**

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt or under grant agreements, were as follows:

|  | <u>2020</u>          | <u>2019</u>       |
|--|----------------------|-------------------|
| Financial assets:                                |                      |                   |
| Cash and cash equivalents                        | \$ 19,432,519        | 18,458,585        |
| Rent and related receivables                     | 2,581,809            | 2,105,142         |
| Due from member                                  | <u>1,595,699</u>     | <u>952,690</u>    |
| Total financial assets available within one year | <u>\$ 23,610,027</u> | <u>21,516,417</u> |

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NY CREATES revenues and related operating activities are generally not seasonal in nature. Rent and related receivables and due from member reported in the chart above include only amounts expected to be settled in cash and available within the next twelve months. In addition to the funds reported above, FRMC holds \$1.8 million of funds designated by the board for capital replacement that may be made available for general purposes upon board approval.

In addition to the above, in 2015, FSMC entered into a multi-year grant with ESD to meet the corresponding annual debt service payments due under the Amended Loan Agreement and the Supplemental Loan Note (note 9). However, in August 2019, the fiscal year 2020 debt service was funded through the Research Foundation. In August 2020, the fiscal year 2021 debt service was identically funded.

NY CREATES is the recipient of grants to reimburse for capital construction, equipment and economic development project costs. Some of these grants have been received in advance and are included in assets limited as to use. As eligible project costs are incurred NY CREATES uses those funds which are included in assets limited as to use or applies for reimbursement from the grantor.

**(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:

|                                   | <b>2020</b>   | <b>2019</b> |
|-----------------------------------|---------------|-------------|
| By debt agreements (note 9):      |               |             |
| Cash and cash equivalents         | \$ 10,676,327 | 10,980,755  |
| U.S. government obligations       | —             | 6,016,471   |
|                                   | \$ 10,676,327 | 16,997,226  |
| Under grant agreements:           |               |             |
| Cash and cash equivalents         | \$ 84,510,700 | 100,670,918 |
| By board for capital replacement: |               |             |
| Cash and cash equivalents         | 1,815,515     | 1,815,515   |

**(4) Net Assets with Donor Restrictions**

The composition of net assets with donor restrictions at June 30, is set forth in the following table.

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
| Net asset with donor restrictions:           |             |             |
| Capital projects not yet placed into service | \$ —        | 62,320,219  |
| Other initiatives                            | 104,589     | 104,589     |
|  | \$ 104,589  | 62,424,808  |

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**(5) Land, Buildings and Equipment**

Buildings and equipment at June 30 are summarized as follows:

|                                  | <u>2020</u>           | <u>2019</u>        |
|----------------------------------|-----------------------|--------------------|
| Land                             | \$ 7,583,866          | 7,583,866          |
| Buildings and permanent fixtures | 1,008,071,244         | 960,132,610        |
| Furnishings and equipment        | <u>31,208,883</u>     | <u>18,703,161</u>  |
|                                  | 1,046,863,993         | 986,419,637        |
| Less accumulated depreciation    | <u>418,904,195</u>    | <u>364,336,731</u> |
|                                  | 627,959,798           | 622,082,906        |
| Construction in progress         | <u>—</u>              | <u>62,320,219</u>  |
| Net buildings and equipment      | <u>\$ 627,959,798</u> | <u>684,403,125</u> |

Substantially all of FRMC and FSMC's buildings and equipment are leased to third party corporations or the Research Foundation.

In December of 2019, FRMC sold its facility in Greece, NY to a third party for \$1.5 million. The carrying value of the facilities, including the building and related equipment, was \$1.4 million. As a result, FRMC recognized a gain on sale of the facility for the year ended June 30, 2020.

During 2020, FRMC completed renovation of a cleanroom on its Albany campus to house New York PEMC's Advanced Technology Silicone Carbide Line. The associated \$62.3 million of capitalized costs were placed into service and released from net assets with donor restrictions.

FSMC has executed construction agreements in relation to projects in progress, for which approximately \$11.2 million of financial commitments are outstanding as of June 30, 2020. In addition, FSMC has financial commitments to purchase equipment for these facilities of approximately \$36.8 million as of June 30, 2020. These represent financial commitments of FSMC, up to the value of grants received and will be funded, in part, through assets whose use is limited.

For the years ended June 30, 2020 and 2019 depreciation expense was \$55.4 million and \$58.8 million, respectively.

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**(6) Transactions with Related Parties**

**(a) Research Foundation**

*(i) Fiscal Services Agreement and Other Programs*

Both FRMC and FSMC have a Staffing and Fiscal Services Agreement (Fiscal Services Agreement) with the Research Foundation. Pursuant to these Fiscal Services Agreements, certain administrative services are provided by the Research Foundation on FRMC and FSMC's behalf. Substantially all the amounts related to such support are reflected in the consolidated statement of activities in contracted services. In addition, the Research Foundation maintains an operating cash account on both FRMC and FSMC's behalf. Cash held by the Research Foundation on behalf of FRMC and FSMC is reflected as due from member in the accompanying consolidated balance sheet. Transfers to the Research Foundation represent reimbursement of program service cost incurred by the Research Foundation that are supported by FRMC and/or FSMC's grants.

FRMC transferred \$0 and \$1.3 million of cash to the Research Foundation in support of nanotechnology grants in 2020 and 2019, respectively. As of June 30, 2020 and 2019, \$2.5 million was due from the Research Foundation for grant expenditures incurred by FRMC on the Research Foundation's behalf.

*(ii) Rental Activities*

FRMC leases space to the Research Foundation on behalf of SUNY Poly. FRMC recognized rental and related income from the Research Foundation of approximately \$46.0 million for each of years ended June 30, 2020 and 2019, of which a small portion is in exchange for certain maintenance services and payment of utilities (in-kind support). Significant lease commitments include the following:

- In November 2011, FRMC entered into a non-cancelable 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 2011 Lease). The 2011 Lease commenced on January 1, 2013 and expires on December 31, 2028. In connection with the 2020 Bonds (note 9), the 2011 Lease was amended and restated. During the lease term, the Research Foundation shall pay to the 2020 Bond Trustee basic lease payments in the annual amount equal \$36.0 million and lease payments shall be paid quarterly. Upon satisfaction of the annual 2020 Bond principal and interest amounts, the excess lease payments are remitted to FRMC. The Research Foundation has also entered into access agreements with semiconductor industry partners to provide space in NanoFab X.
- In May of 2005, FRMC entered into a non-cancelable lease agreement with the Research Foundation for approximately 66,243 gross square feet of cleanroom space in the NanoFab South and North buildings (the 2005 Lease). The 2005 Lease, as amended, commenced on May 20, 2005 and expires on September 30, 2035. In connection with the 2020 Bonds (note 9), the 2005 Lease was amended and restated. During the lease term, the Research Foundation shall pay to the 2020 Bond Trustee basic lease payments in the annual amount equal to \$7.0 million and lease payments shall be paid quarterly. Upon satisfaction of the annual 2020 Bond principal and interest amounts, the excess lease payments are remitted to FRMC. The



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Research Foundation has also entered into access agreements with semiconductor industry partners to provide space in these cleanrooms.

Rent proceeds from the NanoFab X, NanoFab South and NanoFab North facilities are used to secure payment of the 2020 Bonds (note 9).

**(b) SUNY**

FRMC 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 amendment, which occurred in 2005, 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 rent payable to SUNY was \$1 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, 2020 and is expected to be renewed for the next twelve months with the same terms.

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, FRMC provides a small portion of space on its campus to SUNY in exchange for certain utilities cost (in-kind support). The amounts related to in-kind support were \$ 0.3 million and \$ 0.4 million, which are reflected in the statements of activities as rental revenue and contracted services and utilities expense for the years ended June 30, 2020 and 2019, respectively. There were no formal agreements between FRMC and SUNY relative to the provision of in-kind support for the years ended June 30, 2020 and 2019.

In May 2010, FSMC entered into an agreement to lease certain real property located in Marcy, New York from SUNY. The term of the lease, as amended, is through 2080. FSMC has entered into a sublease agreement with Economic Development Growth Enterprises Corporation (EDGE) which has facilitated the development of certain portions of the property, including the construction of a semi-conductor wafer fabrication facility (Marcy Project) on the property.

**(c) State of New York**

On January 22, 2013, FRMC entered into a lease with the State of New York for 10,000 square feet of data center space in NanoFab X and 30,000 square feet of data center and 14,573 square feet of office space in the Zen building. The lease term is for 15 years from the date of commencement of each space. FRMC recognized rental income from the State of New York of approximately \$7.1 million and \$7.2 million for the years ended June 30, 2020 and 2019, respectively.

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**(7) Rental Income**

NY CREATES currently leases space to various tenants, including the Research Foundation and the State of New York (note 6), which are under non-cancelable operating leases. Following is a summary of approximate minimum rental income from these agreements for the next five years and thereafter as of June 30, 2020:

|            | <u>FRMC</u>   | <u>FSMC</u> | <u>Total</u> |
|------------|---------------|-------------|--------------|
| 2021       | \$ 58,875,491 | 3,357,809   | 62,233,300   |
| 2022       | 57,911,317    | 1,857,270   | 59,768,587   |
| 2023       | 56,843,361    | 1,456,668   | 58,300,029   |
| 2024       | 55,341,216    | 1,461,659   | 56,802,875   |
| 2025       | 52,587,669    | 1,466,799   | 54,054,468   |
| Subsequent | 187,612,579   | 1,837,547   | 189,450,126  |

**(8) Operating and Capital Leases**

*Capital Lease*

During 2014, FRMC entered into a capital lease with respect to the Tech Valley High School building located on the SUNY Poly campus in Albany. Future minimum lease payments, under the capital lease obligation, are as follows, as of June 30, 2020:

|   |  |                     |
|---|--|---------------------|
| Year ending June 30:  |  |                     |
| 2021  |  | \$ 740,512          |
| 2022  |  | 740,513             |
| 2023  |  | 740,513             |
| 2024  |  | 740,513             |
| 2025  |  | 771,367             |
| Thereafter  |  | <u>7,321,817</u>    |
| Total minimum lease payments                                  |  | 11,055,235          |
| Less amounts representing imputed interest<br>(rate of 5.70%) |  | <u>3,568,014</u>    |
| Present value of net minimum<br>lease payments                |  | <u>\$ 7,487,221</u> |

FRMC receives annual rental payments from Questar III Board of Cooperative Educational Services that substantially offset the annual capital lease payments.

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*Operating Lease*

FSMC's future minimum lease payments for the next five years and thereafter are as follows as of June 30, 2020:

|                |              |
|----------------|--------------|
| Payments owed: |              |
| 2021           | \$ 1,549,602 |
| 2022           | 1,559,162    |
| 2023           | 1,559,162    |
| 2024           | 1,559,162    |
| 2025           | 1,559,162    |
| Subsequent     | 17,437,047   |

**(9) Long-Term Debt**

Long term debt consists of the following at June 30:

|   | <u>2020</u>           | <u>2019</u>        |
|---|-----------------------|--------------------|
| Taxable revenue bonds, Series 2020 (a)  | \$ 318,040,000        | —                  |
| Taxable revenue bonds, Series 2005A (b) | —                     | 63,255,000         |
| Taxable revenue bonds, Series 2007 (c)  | —                     | 44,390,000         |
| NFX Credit Agreement (d)                | —                     | 73,587,000         |
| Taxable revenue bonds, Series 2014A (e) | —                     | 92,129,416         |
| Taxable revenue bonds, Series 2014B (e) | —                     | 86,854,506         |
| Amended Loan Agreement (f)              | 26,433,800            | 34,670,050         |
| Supplemental Loan Agreement (g)         | 232,206               | 309,607            |
| Loan Agreement (h)                      | <u>2,113,642</u>      | <u>3,821,985</u>   |
|   | 346,819,648           | 399,017,564        |
| Less:                                   |                       |                    |
| Unamortized original issue discount     | 1,623,374             | 159,593            |
| Unamortized deferred financing costs    | <u>3,372,455</u>      | <u>6,678,764</u>   |
|   | <u>\$ 341,823,819</u> | <u>392,179,207</u> |

*FRMC*

**(a) Series 2020**

On April 15, 2020, the New York Transportation Development Corporation issued \$318.0 million of Series 2020 taxable lease revenue refunding bonds (Series 2020 Bonds). The proceeds of the bonds were used to defease or redeem FRMC's Series 2005A, 2007, 2014A and 2014B bonds and the NFX Credit Agreement, terminate the associated interest rate swap agreements and pay the cost of issuance. The Series 2020 bonds are term bonds with a fixed interest rate of 4.248% and fully amortize

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over a 15-year term. Principal payments are due annually on September 1; interest payments are due semi-annually on September 1 and March 1. The Series 2020 bonds are secured by the assignment of rents from two leases with the Research Foundation (note 6) and include a requirement that the Research Foundation pay those rents directly to the Bond Trustee.

Debt issuance costs of approximately \$2.5 million are being recognized ratably as interest expense over the term of the Series 2020 Bonds.

In connection with the issuance of the Series 2020 Bonds, a \$2.1 million loss on extinguishment of debt was recognized as a result of extinguishing the borrowings described in (b) through (e) below:

**(b) Series 2005A**

FRMC issued taxable revenue bonds, Series 2005A, with a face value of \$84.0 million on November 22, 2005. Proceeds from the Series 2005A Bonds were used to provide funding for Phase II construction of the 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 were issued with fixed interest rates ranging from 5.00% to 5.85% and were subject to a 30-year amortization period.

**(c) Series 2007**

The Series 2007 Bonds were originally issued as variable rate demand bonds but were converted to bank held bonds in 2013, requiring quarterly payments of principal and interest with a variable interest rate of LIBOR plus 1.95%. The original term of the agreement was five years through February 1, 2018, with a 25 year amortization consistent with the original issuance, after which time the agreement could be renewed. Effective April 18, 2019, the Series 2007 Bonds were modified to change the long-term rate period to May 1, 2020 with no change in the interest rate, which was 4.94% at June 30, 2019.

**(d) NFX Credit Agreement**

In May 2012, FRMC entered into a \$251.4 million Syndicated Loan Credit Agreement (NFX Credit Agreement) with a syndicate of financial institution lenders. The Credit Agreement provided permanent funding for construction of the NanoFab X facility and associated debt-financing costs of approximately \$8.3 million. Commencing April 1, 2013, FRMC began making quarterly interest payments over the amended term, with a balloon due for the then outstanding balance at May 8, 2020, as amended. On November 18, 2013, FRMC executed an amendment to the NFX Credit Agreement 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. The interest rate at June 30, 2019 was 4.70%.

**(e) 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. The Series 2014 Bonds accrued interest at one month LIBOR plus 2.00%. The bonds amortized over a 30-year period ending in 2047, with a mandatory tender on May 8, 2020, as amended. The interest rate was 4.44% at June 30, 2019.

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*FSMC*

**(f) Building Loan Agreement and Amended Loan Agreement**

In September 2014, FSMC amended and restated an existing \$31.0 million Building Loan Agreement related to Quad C into a permanent \$65.0 million Loan Agreement (the Amended Loan Agreement) with TD Bank, as Administrator and Lead Arranger, and a syndicate of other financial institution lenders. Subject to the terms and conditions of the Amended Loan Agreement, during the Quad C construction period the lenders made advances to FSMC with interest payments due on a monthly basis. Commencing on September 1, 2015, FSMC began making principal payments, which are due annually over an 8-year term, maturing in September 1, 2022. Financing costs for the original loan and its amendment of \$1.6 million were incurred and are recognized as interest expense over the term of the Amended Loan Agreement.

In July 2015, the Amended Loan Agreement was further modified to replace TD Bank with KeyBank as Administrative Agent and Lead Arranger, modify the interest rate to 30-day LIBOR plus 125 basis points, and modify the syndicate of lenders. All other substantive loan terms remained unchanged. In connection with the modification, an interest rate swap agreement was executed with KeyBank (see note 10). At June 30, 2020 the interest rate was 1.42%.

**(g) Supplemental Loan Note**

To provide bridge financing for the Quad C project until receipt of grant funds, an incremental \$5.0 million Supplemental Loan Note was issued by KeyBank concurrent with the execution of the July 2015 Amended Loan Agreement. An initial principal payment of \$3.2 million was due and paid in September 2016, while the remaining scheduled payments are due over an 8 year term. At June 30, 2020 the interest rate was 1.42%.

**(h) Loan Agreement**

In May 2016, FSMC entered into a 5 year Loan Agreement with M&T Bank for \$8.1 million to provide working capital funds. The loan is secured by the assignment of tenant lease revenue for 7 floors owned by FSMC in the Key Center in Buffalo, and by a negative pledge on that property. The interest rate on the loan is 2.69% with monthly payments of principal and interest.

FSMC must satisfy certain financial and reporting requirements so long as the respective loans are outstanding. As of and subsequent to June 30, 2020, FSMC was not in compliance with certain of these requirements. The lending institutions have waived these instances of noncompliance.

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The following are the required principal payments on long term debt for the next five years and subsequent periods as of June 30, 2020:

|                      |    |                           |
|----------------------|----|---------------------------|
| Year ending June 30: |    |                           |
| 2021                 | \$ | 25,297,306                |
| 2022                 |    | 36,312,690                |
| 2023                 |    | 37,454,651                |
| 2024                 |    | 29,475,000                |
| 2025                 |    | 30,725,000                |
| Subsequent           |    | <u>187,555,001</u>        |
|                      | \$ | <u><u>346,819,648</u></u> |

Under the terms of the bond indentures, NY CREATES established certain bank accounts with the bond trustee. Included in the accompanying consolidated financial statements, classified as assets limited as to use, are NY CREATES's balances in these funds at June 30 as follows:

|   | <u>2020</u>                 | <u>2019</u>                 |
|---|-----------------------------|-----------------------------|
| Series 2020 Bonds:                        |                             |                             |
| Bond proceeds                             | \$ 12,886                   | —                           |
| Bond sinking fund                         | 7,447,500                   | —                           |
| Bond interest                             | <u>2,551,953</u>            | —                           |
|   | <u>10,012,339</u>           | —                           |
| Series 2005 Bonds:                        |                             |                             |
| Debt service fund                         | —                           | 357                         |
| Debt service reserve fund                 | —                           | 6,923,025                   |
| Revenue fund                              | —                           | <u>3,710,711</u>            |
|   | —                           | <u>10,634,093</u>           |
| Series 2007 Bonds:                        |                             |                             |
| Replacement reserve fund                  | —                           | 3,457,948                   |
| Series 2014 A and B:                      |                             |                             |
| Interest/maintenance reserve              | —                           | 2,100,000                   |
| Building loan and amended loan agreement: |                             |                             |
| Lockbox                                   | 39,442                      | 181,837                     |
| Capital/maintenance reserve               | <u>624,546</u>              | <u>623,348</u>              |
|   | <u>663,988</u>              | <u>805,185</u>              |
|   | \$ <u><u>10,676,327</u></u> | \$ <u><u>16,997,226</u></u> |

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**(10) Interest Rate Swap Agreements**

NY CREATES enters into interest rates swaps from time to time, in connection with many of its long-term borrowings. 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 NY CREATES from its obligations under the long-term debt issuances. NY CREATES records the fair value of the interest rate swaps as an asset or liability on its consolidated balance sheet and reflects the change in the fair value of the interest rate swaps as a change in net assets without donor restrictions in the consolidated statements of activities.

As described in note 9, FRMC extinguished various borrowings in April 2020, and concurrently terminated the associated interest rate swap agreements for approximately \$ 0.4 million.

A summary of the swaps outstanding at June 30, 2020 and 2019 follows:

| Swap agreement  | Notional value as of June 30 |            | Fair value as of June 30<br>liability |             | Change in<br>fair value |
|---|------------------------------|------------|---------------------------------------|-------------|-------------------------|
|   | 2020                         | 2019       | 2020                                  | 2019        |                         |
| FRMC:   |                              |            |                                       |             |                         |
| Series 2007 Bonds (a)   | \$ —                         | 44,390,000 | —                                     | (241,773)   | 241,773                 |
| Credit Agreement:   |                              |            |                                       |             |                         |
| M&T Bank (b)  | —                            | 51,627,450 | —                                     | (201,630)   | 201,630                 |
| KeyBank (c)   | —                            | 21,959,550 | —                                     | (78,283)    | 78,283                  |
| Series 2014A Bonds (d)  | —                            | 92,155,676 | —                                     | (515,538)   | 515,538                 |
| Series 2014B Bonds (e)  | —                            | 86,879,489 | —                                     | (464,311)   | 464,311                 |
| FSMC:   |                              |            |                                       |             |                         |
| Amended loan agreement (f)  | 26,433,800                   | 34,670,050 | (494,829)                             | (16,577)    | (478,252)               |
| Interest rate swap liability, net   |                              |            | \$ (494,829)                          | (1,518,112) |                         |
| Change in fair value of interest rate swaps<br>for year ended June 30, 2020 |                              |            |                                       |             | \$ <u>1,023,283</u>     |

- a) Swap with KeyBank with regard to the modified 2007 Bond Agreement (note 9), maturing concurrently with that modified Agreement on May 1, 2020 with a fixed rate of interest over the term of the swap of 2.546%. The variable rate received by FRMC under the swap was equal to the 1 month LIBOR rate on the first day of the month.
- b) Swap with M&T Bank for a portion of the Amended NFX Credit Agreement (note 9) maturing concurrently with that Amended Agreement (note 9) on May 8, 2020. The swap provided for FRMC to pay a fixed rate of interest over the term of the swap equal to 2.645%. The variable interest rate received by FRMC under the swap was equal to the 3 month LIBOR rate on the first day of the quarter.

FRMC also entered into an additional swap with M&T Bank with regard to the Amended NFX Credit Agreement, maturing concurrently with that Agreement on May 8, 2020. The swap provided for FRMC to pay a fixed rate of interest over the term of the swap of 2.638%. The variable rate received by FRMC under the swap was equal to the 3 month LIBOR rate on the first day of the quarter.

**NEW YORK CENTER FOR RESEARCH, ECONOMIC ADVANCEMENT,  
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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

- c) Swap with KeyBank for a portion of the NFX Credit Agreement maturing concurrently with that Amended Agreement on May 8, 2020. The swap provided for FRMC to pay a fixed rate of interest over the term of the swap equal to 2.656%. The variable interest rate received by FRMC under the swap was equal to the 3 month LIBOR rate on the first day of the quarter.
- d) Swap with KeyBank with regard to the Series 2014A Bonds maturing concurrently with that Amended Agreement on May 8, 2020. The swap provided for the FRMC to pay a fixed rate of interest over the term of the swap equal to 2.534%. The variable interest rate received by the FRMC under the swap was equal to the 1 month LIBOR rate on the first day of the month.
- e) Swap with M&T Bank with regard to a portion of the Series 2014B Bonds maturing concurrently with that Agreement on May 8, 2020. The swap provided for the FRMC to pay a fixed rate of interest over the term of the swap equal to 2.553%. The variable interest rate received by FRMC under the swap was equal to the 1 month LIBOR rate on the first day of the month.
- f) Swap with Key Bank, as required by the terms of the Amended Loan Agreement, maturing on September 1, 2022. The swap agreement provides for FSMC to pay a fixed rate of interest over the term of the swap equal to 1.676%. The variable rate received by FSMC under the swap is equal to the 1-month LIBOR rate on the first day of the month. Interest rate swaps do not relieve FSMC from its obligations under long-term debt issuances.

**(11) Line of Credit**

In March 2013, FRMC 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 FRMC and borrowings are payable on demand. The line of credit bears interest at monthly LIBOR plus 2.25%, as amended, and requires NY CREATES to meet certain covenants on a periodic basis. The outstanding balance on the line of credit was approximately \$14.9 million and \$13.9 million at June 30, 2020 and June 30, 2019 respectively.

**(12) Commitments and Contingencies**

From time to time, NY CREATES is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, as of June 30, 2020, the ultimate disposition of these matters will not have a material adverse effect on the NY CREATES's financial position, results of operations, or liquidity.

**(13) Functional Expenses**

The statements of operations present expenses by natural classification. NY CREATES also summarizes its expenses by functional classification. NY CREATES' primary program service is facilities and related property management. There are no natural expenses attributed to more than one functional expense category and accordingly there are no cost allocation techniques utilized.



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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Expenses by functional classification for the year ended June 30, 2020 consist of the following:

|   | <b>Facilities<br/>and related<br/>property<br/>management</b> | <b>Administrative</b> | <b>Total</b>       |
|---|---|-----------------------|--------------------|
| Operating expenses:                     |   |                       |                    |
| Contracted services                     | \$ 1,362,905  | 1,241,837             | 2,604,742          |
| Repairs, maintenance, and supplies      | 4,455,539   | —                     | 4,455,539          |
| Utilities                               | 2,037,973   | —                     | 2,037,973          |
| Rent                                    | 2,411,023   | —                     | 2,411,023          |
| Insurance and other                     | 4,223,783   | 613,923               | 4,837,706          |
| Professional fees                       | 567,070   | 633,844               | 1,200,914          |
| Interest expense                        | 21,907,930  | —                     | 21,907,930         |
| Depreciation and amortization           | 55,420,395  | —                     | 55,420,395         |
| Economic development project costs, net | 23,335,938  | —                     | 23,335,938         |
| Transfers to the RF for SUNY            | 448,237   | —                     | 448,237            |
|   | <u>\$ 116,170,793</u>   | <u>2,489,604</u>      | <u>118,660,397</u> |

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

|   | <b>Facilities<br/>and related<br/>property<br/>management</b> | <b>Administrative</b> | <b>Total</b>       |
|---|---|-----------------------|--------------------|
| Operating expenses:                     |   |                       |                    |
| Contracted services                     | \$ 1,583,801  | 1,026,354             | 2,610,155          |
| Repairs, maintenance, and supplies      | 3,046,975   | —                     | 3,046,975          |
| Utilities                               | 2,725,163   | —                     | 2,725,163          |
| Rent                                    | 2,366,444   | —                     | 2,366,444          |
| Insurance and other                     | 2,188,405   | 301,081               | 2,489,486          |
| Professional fees                       | 595,850   | 719,387               | 1,315,237          |
| Interest expense                        | 20,445,110  | —                     | 20,445,110         |
| Depreciation and amortization           | 58,858,923  | —                     | 58,858,923         |
| Economic development project costs, net | 107,844,156   | —                     | 107,844,156        |
| Transfers to the RF of SUNY             | 2,189,120   | —                     | 2,189,120          |
|   | <u>\$ 201,843,947</u>   | <u>2,046,822</u>      | <u>203,890,769</u> |

**(14) Subsequent Events**

NY CREATES considers events or transactions that occur after the balance sheet date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on February 18, 2021 and subsequent events have been evaluated through that date.

## FULLER ROAD MANAGEMENT CORPORATION

## Balance Sheets

June 30, 2020 and 2019

| <b>Assets</b>                         | <b>2020</b>           | <b>2019</b>        |
|---------------------------------------|-----------------------|--------------------|
| Cash and cash equivalents             | \$ 17,954,028         | 17,344,777         |
| Rent and related receivables          | 5,092,876             | 5,122,470          |
| Grant related receivables             | 2,500,000             | 2,500,000          |
| Due from member                       | 1,346,822             | 810,319            |
| Prepaid expenses                      | 118,567               | —                  |
|                                       | <u>27,012,293</u>     | <u>25,777,566</u>  |
| Assets limited as to use:             |                       |                    |
| By debt agreements                    | 10,012,339            | 16,192,041         |
| Under grant agreements                | 1,215,770             | 1,406,195          |
| By board for capital replacement      | 1,815,515             | 1,815,515          |
|                                       | <u>13,043,624</u>     | <u>19,413,751</u>  |
| Land, buildings and equipment, net    | <u>589,613,265</u>    | <u>636,746,465</u> |
| Total assets                          | <u>\$ 629,669,182</u> | <u>681,937,782</u> |
| <b>Liabilities and Net Assets</b>     |                       |                    |
| Liabilities:                          |                       |                    |
| Accrued interest payable              | \$ 2,835,503          | 3,336,938          |
| Construction and other costs payable  | 1,367,460             | 1,913,682          |
| Line of credit                        | 14,935,667            | 13,935,667         |
| Capital lease payable                 | 7,487,221             | 7,785,650          |
| Long term debt, net                   | 313,905,354           | 354,655,182        |
| Unearned grant funds                  | 391,607               | 344,551            |
| Deferred rent                         | 8,150,067             | 9,118,447          |
| Interest rate swaps                   | —                     | 1,501,535          |
| Total liabilities                     | <u>349,072,879</u>    | <u>392,591,652</u> |
| Commitments and contingencies         |                       |                    |
| Net assets:                           |                       |                    |
| Net assets without donor restrictions | 280,491,714           | 226,921,322        |
| Net assets with donor restrictions    | 104,589               | 62,424,808         |
| Total net assets                      | <u>280,596,303</u>    | <u>289,346,130</u> |
| Total liabilities and net assets      | <u>\$ 629,669,182</u> | <u>681,937,782</u> |

See accompanying independent auditors report.

## FULLER ROAD MANAGEMENT CORPORATION

## Statements of Activities

Years ended June 30, 2020 and 2019

|   | 2020                      |                        |              | 2019                      |                        |             |
|---|---------------------------|------------------------|--------------|---------------------------|------------------------|-------------|
|   | Without donor restriction | With donor restriction | Total        | Without donor restriction | With donor restriction | Total       |
| Support and revenue:  |                           |                        |              |                           |                        |             |
| Rental income and other support   | \$ 65,770,241             | —                      | 65,770,241   | 66,381,196                | —                      | 66,381,196  |
| Grants and other contributions  | —                         | (47,056)               | (47,056)     | 5,000,000                 | 2,297,204              | 7,297,204   |
| Interest and dividends  | 328,241                   | —                      | 328,241      | 367,486                   | —                      | 367,486     |
| Net assets released from restrictions:                                    |                           |                        |              |                           |                        |             |
| Satisfaction of program designation restrictions                          | —                         | —                      | —            | 1,326,145                 | (1,326,145)            | —           |
| Satisfaction of construction of facilities restrictions                   | 62,273,163                | (62,273,163)           | —            | —                         | —                      | —           |
| Total support and revenue   | 128,371,645               | (62,320,219)           | 66,051,426   | 73,074,827                | 971,059                | 74,045,886  |
| Expenses and equity transfers:  |                           |                        |              |                           |                        |             |
| Contracted services   | 1,499,406                 | —                      | 1,499,406    | 1,982,479                 | —                      | 1,982,479   |
| Repairs, maintenance and PILOT  | 2,812,419                 | —                      | 2,812,419    | 1,478,426                 | —                      | 1,478,426   |
| Utilities   | 1,955,200                 | —                      | 1,955,200    | 2,647,422                 | —                      | 2,647,422   |
| Insurance and other   | 2,994,743                 | —                      | 2,994,743    | 943,743                   | —                      | 943,743     |
| Professional fees   | 425,900                   | —                      | 425,900      | 577,505                   | —                      | 577,505     |
| Interest expense  | 20,552,943                | —                      | 20,552,943   | 18,789,995                | —                      | 18,789,995  |
| Depreciation and amortization   | 46,235,268                | —                      | 46,235,268   | 41,711,558                | —                      | 41,711,558  |
| Transfers to The Research Foundation for The State University of New York | —                         | —                      | —            | 1,326,145                 | —                      | 1,326,145   |
| Total expenses and transfers  | 76,475,879                | —                      | 76,475,879   | 69,457,273                | —                      | 69,457,273  |
| Increase (decrease) in net assets, before other changes in net assets     | 51,895,766                | (62,320,219)           | (10,424,453) | 3,617,554                 | 971,059                | 4,588,613   |
| Other changes in net assets:  |                           |                        |              |                           |                        |             |
| Change in fair value of interest rate swaps                               | 1,501,535                 | —                      | 1,501,535    | (3,346,049)               | —                      | (3,346,049) |
| Gain on sale of facility  | 89,012                    | —                      | 89,012       | —                         | —                      | —           |
| Extinguishment of debt and associated fees                                | (2,107,921)               | —                      | (2,107,921)  | —                         | —                      | —           |
| Realized gain on sale of investment                                       | 2,192,000                 | —                      | 2,192,000    | —                         | —                      | —           |
| Other changes in net assets   | 1,674,626                 | —                      | 1,674,626    | (3,346,049)               | —                      | (3,346,049) |
| Increase (decrease) in net assets   | 53,570,392                | (62,320,219)           | (8,749,827)  | 271,505                   | 971,059                | 1,242,564   |
| Net assets, beginning of year   | 226,921,322               | 62,424,808             | 289,346,130  | 226,649,817               | 61,453,749             | 288,103,566 |
| Net assets, end of year   | \$ 280,491,714            | 104,589                | 280,596,303  | 226,921,322               | 62,424,808             | 289,346,130 |

See accompanying independent auditors report.

## FULLER ROAD MANAGEMENT CORPORATION

## Statements of Cash Flows

Years ended June 30, 2020 and 2019

|   | <u>2020</u>          | <u>2019</u>         |
|---|----------------------|---------------------|
| Operating activities:   |                      |                     |
| Change in net assets  | \$ (8,749,827)       | 1,242,564           |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                      |                     |
| Depreciation and amortization   | 46,235,268           | 41,711,558          |
| Amortization of bond discount   | 7,254                | 9,672               |
| Extinguishment of debt  | 2,008,265            | —                   |
| Loss on sale of facility  | (89,012)             | —                   |
| Amortization of deferred financing cost   | 3,511,313            | 1,728,657           |
| Grants and contributions restricted for capital projects                                    | (47,056)             | (2,297,204)         |
| Change in fair value of interest rate swaps   | (1,501,535)          | 3,346,049           |
| Cash transfers to The Research Foundation for The State University of New York              | —                    | 1,326,145           |
| Changes in assets:  |                      |                     |
| Rent and other receivables  | 35,794               | 740,296             |
| Due from member   | (536,503)            | 43,319              |
| Prepaid expenses  | (118,567)            | —                   |
| Changes in liabilities:   |                      |                     |
| Construction and other costs payable  | (308,741)            | (234,958)           |
| Deferred rent and deferred revenue  | (968,380)            | (1,660,818)         |
| Unearned grant funds  | 47,056               | (2,271,078)         |
| Accrued interest payable  | (501,435)            | 111,819             |
| Net cash provided by operating activities   | <u>39,023,894</u>    | <u>43,796,021</u>   |
| Investing activities:   |                      |                     |
| Sales of investments held   | 57,499,045           | 37,986,911          |
| Purchases of investments  | (51,482,574)         | (37,389,998)        |
| Cash received for sale of facility  | 1,500,000            | —                   |
| Construction and equipment additions and project development costs                          | <u>(703,481)</u>     | <u>(3,938,119)</u>  |
| Net cash provided by (used in) investing activities   | <u>6,812,990</u>     | <u>(3,341,206)</u>  |
| Financing activities:   |                      |                     |
| Issuance of Series 2020 Bonds, net of discount  | 316,416,626          | —                   |
| Borrowing from bonds and credit agreement payable   | —                    | 297,030             |
| Principal payment on long-term debt   | (360,215,922)        | (40,235,773)        |
| Borrowing on line of credit   | 1,000,000            | 2,338,589           |
| Debt modification payments  | —                    | (2,571,784)         |
| Payments for financing costs  | (2,483,564)          | —                   |
| Payments on capital lease   | (298,429)            | (253,571)           |
| Grants and contributions restricted for capital projects                                    | —                    | 4,598,485           |
| Cash transfers to The Research Foundation for The State University of New York              | <u>—</u>             | <u>(1,326,145)</u>  |
| Net cash used in financing activities   | <u>(45,581,289)</u>  | <u>(37,153,169)</u> |
| Net increase in cash and cash equivalents   | 255,595              | 3,301,646           |
| Cash and cash equivalents, beginning of year  | <u>30,742,057</u>    | <u>27,440,411</u>   |
| Cash and cash equivalents, end of year  | <u>\$ 30,997,652</u> | <u>30,742,057</u>   |
| Supplemental disclosure of cash flow information:   |                      |                     |
| Assets limited as to use included in cash and cash equivalents                              | \$ 13,043,624        | 12,490,726          |
| Cash paid for interest  | 17,099,604           | 16,939,848          |

See accompanying independent auditors report.

## FORT SCHUYLER MANAGEMENT CORPORATION

## Consolidated Balance Sheet

June 30, 2020 and 2019

| <b>Assets</b>                         | <b>2020</b>           | <b>2019</b>        |
|---------------------------------------|-----------------------|--------------------|
| Cash and cash equivalents             | \$ 1,478,491          | 1,113,808          |
| Rent and related receivables          | 3,075,238             | 3,467,941          |
| Due from member                       | 248,877               | 142,371            |
| Prepaid expense                       | 144,915               | —                  |
|                                       | <u>4,947,521</u>      | <u>4,724,120</u>   |
| Assets limited as to use:             |                       |                    |
| By debt agreements                    | 663,988               | 805,185            |
| Under grant agreements                | 83,294,930            | 99,264,723         |
|                                       | <u>83,958,918</u>     | <u>100,069,908</u> |
| Land, buildings and equipment, net    | <u>38,346,533</u>     | <u>47,656,660</u>  |
| Total assets                          | <u>\$ 127,252,972</u> | <u>152,450,688</u> |
| <b>Liabilities and Net Assets</b>     |                       |                    |
| Liabilities:                          |                       |                    |
| Accrued interest payable              | \$ 64,730             | 87,238             |
| Construction and other costs payable  | 13,007,036            | 19,366,283         |
| Long-term debt, net                   | 27,918,465            | 37,524,025         |
| Unearned grant funds                  | 63,181,628            | 73,064,270         |
| Deferred rent                         | 832,525               | 953,160            |
| Interest rate swap                    | 494,829               | 16,577             |
| Total liabilities                     | <u>105,499,213</u>    | <u>131,011,553</u> |
| Commitments and contingencies         |                       |                    |
| Net assets:                           |                       |                    |
| Net assets without donor restrictions | <u>21,753,759</u>     | <u>21,439,135</u>  |
| Total net assets                      | <u>21,753,759</u>     | <u>21,439,135</u>  |
| Total liabilities and net assets      | <u>\$ 127,252,972</u> | <u>152,450,688</u> |

See accompanying independent auditors report.

## FORT SCHUYLER MANAGEMENT CORPORATION

## Statement of Activities

Years ended June 30, 2020 and 2019

|   | 2020                      |                        |            | 2019                      |                        |              |
|---|---------------------------|------------------------|------------|---------------------------|------------------------|--------------|
|   | Without donor restriction | With donor restriction | Total      | Without donor restriction | With donor restriction | Total        |
| Support and revenue:  |                           |                        |            |                           |                        |              |
| Rental income and other support   | \$ 6,205,298              | —                      | 6,205,298  | 6,058,539                 | —                      | 6,058,539    |
| Grant and other contributions   | 13,150,000                | 23,622,096             | 36,772,096 | 2,300,000                 | 92,043,741             | 94,343,741   |
| Net assets released from restrictions:                                    |                           |                        |            |                           |                        |              |
| Satisfaction of program designation restrictions                          | 448,237                   | (448,237)              | —          | 862,975                   | (862,975)              | —            |
| Satisfaction of construction of facilities restrictions                   | 23,173,859                | (23,173,859)           | —          | 93,571,164                | (93,571,164)           | —            |
| Total support and revenue   | 42,977,394                | —                      | 42,977,394 | 102,792,678               | (2,390,398)            | 100,402,280  |
| Expenses:   |                           |                        |            |                           |                        |              |
| Contracted services   | 1,105,336                 | —                      | 1,105,336  | 627,676                   | —                      | 627,676      |
| Repairs, maintenance and PILOT  | 1,643,120                 | —                      | 1,643,120  | 1,568,549                 | —                      | 1,568,549    |
| Utilities   | 82,773                    | —                      | 82,773     | 77,741                    | —                      | 77,741       |
| Rent  | 2,411,023                 | —                      | 2,411,023  | 2,366,444                 | —                      | 2,366,444    |
| Insurance and other   | 1,842,963                 | —                      | 1,842,963  | 1,545,743                 | —                      | 1,545,743    |
| Professional fees   | 775,014                   | —                      | 775,014    | 737,732                   | —                      | 737,732      |
| Interest  | 1,354,987                 | —                      | 1,354,987  | 1,655,115                 | —                      | 1,655,115    |
| Depreciation and amortization   | 9,185,127                 | —                      | 9,185,127  | 17,147,365                | —                      | 17,147,365   |
| Economic development project costs, net                                   | 23,335,938                | —                      | 23,335,938 | 107,844,156               | —                      | 107,844,156  |
| Transfers to the Research Foundation for The State University of New York | 448,237                   | —                      | 448,237    | 862,975                   | —                      | 862,975      |
| Total expenses and transfers  | 42,184,518                | —                      | 42,184,518 | 134,433,496               | —                      | 134,433,496  |
| Increase (decrease) in net assets, before other changes in net assets     | 792,876                   | —                      | 792,876    | (31,640,818)              | (2,390,398)            | (34,031,216) |
| Other changes in net assets:  |                           |                        |            |                           |                        |              |
| Change in fair value of interest rate swaps                               | (478,252)                 | —                      | (478,252)  | (922,550)                 | —                      | (922,550)    |
| Increase (decrease) in net assets   | 314,624                   | —                      | 314,624    | (32,563,368)              | (2,390,398)            | (34,953,766) |
| Net assets, beginning of year   | 21,439,135                | —                      | 21,439,135 | 54,002,503                | 2,390,398              | 56,392,901   |
| Net assets, end of year   | \$ 21,753,759             | —                      | 21,753,759 | 21,439,135                | —                      | 21,439,135   |

See accompanying independent auditors report.

## FORT SCHUYLER MANAGEMENT CORPORATION

## Consolidated Statement of Cash Flows

Years ended June 30, 2020 and 2019

|  | <u>2020</u>          | <u>2019</u>         |
|--|----------------------|---------------------|
| Operating activities:  |                      |                     |
| Change in net assets   | \$ 314,624           | (34,953,766)        |
| Adjustments to reconcile change in net assets to net cash provided<br>by (used in) operating activities: |                      |                     |
| Depreciation and amortization  | 9,185,127            | 17,147,365          |
| Amortization of deferred financing cost  | 416,434              | 416,433             |
| Grants and contributions restricted for capital projects   | (13,739,454)         | (91,341,366)        |
| Economic development cost  | 23,335,938           | 107,844,156         |
| Change in value of interest rate swap  | 478,252              | 922,550             |
| Transfers to the Research Foundation for The State University of<br>New York                             | 448,237              | 862,975             |
| Change in assets:  |                      |                     |
| Rent and other receivables   | 392,703              | (197,012)           |
| Due from member  | (106,506)            | (98,279)            |
| Prepaid expenses   | (144,915)            | —                   |
| Change in liabilities:   |                      |                     |
| Construction and other expenses payable  | 69,329               | (673,678)           |
| Deferred rent and deferred revenue   | (120,635)            | (97,272)            |
| Unearned grant funds   | (9,882,642)          | (702,375)           |
| Accrued interest payable   | (22,508)             | (18,399)            |
| Net cash provided by (used in) operating activities  | <u>10,623,984</u>    | <u>(888,668)</u>    |
| Investing activities:  |                      |                     |
| Cash proceeds from sale of equipment   | —                    | 2,250,000           |
| Construction and equipment additions and project development costs                                       | (29,639,514)         | (97,377,476)        |
| Net cash used in investing activities  | <u>(29,639,514)</u>  | <u>(95,127,476)</u> |
| Financing activities:  |                      |                     |
| Payments on amended loan agreement   | (8,236,250)          | (7,968,000)         |
| Payments on supplemental loan note   | (77,401)             | (77,402)            |
| Payments on loan agreement   | (1,708,343)          | (1,613,361)         |
| Grants and contributions restricted for capital projects   | 13,739,454           | 91,794,334          |
| Transfers to the Research Foundation for The State University of<br>New York                             | (448,237)            | (862,975)           |
| Net cash provided by financing activities  | <u>3,269,223</u>     | <u>81,272,596</u>   |
| Net decrease in cash and cash equivalents  | (15,746,307)         | (14,743,548)        |
| Cash and cash equivalents, beginning of year   | <u>101,183,716</u>   | <u>115,927,264</u>  |
| Cash and cash equivalents, end of year   | <u>\$ 85,437,409</u> | <u>101,183,716</u>  |
| Supplemental disclosure of cash flow information:  |                      |                     |
| Assets limited as to use included in cash and cash equivalents   | \$ 83,958,918        | 100,069,908         |
| Cash paid for interest   | 946,061              | 1,242,080           |

See accompanying independent auditors report.



## NY CREATES

## Schedule of Increases (Decreases) in Net Assets without Donor Restrictions

Year ended June 30, 2020

|  | <u>Quad C</u>         | <u>Key Center</u>  | <u>All other</u>  | <u>Total</u>      |
|--|-----------------------|--------------------|-------------------|-------------------|
| Support and revenue:   |                       |                    |                   |                   |
| Rental income and other support  | \$ 153,629            | 3,183,295          | 2,868,374         | 6,205,298         |
| Grants and other contributions   | —                     | —                  | 13,150,000        | 13,150,000        |
| Net assets released from restrictions:                                       |                       |                    |                   |                   |
| Satisfaction of program designation restrictions                             | 448,237               | —                  | —                 | 448,237           |
| Satisfaction of construction of facilities restrictions                      | 12,590,580            | (125,000)          | 10,708,279        | 23,173,859        |
| Total support and revenue  | <u>13,192,446</u>     | <u>3,058,295</u>   | <u>26,726,653</u> | <u>42,977,394</u> |
| Expenses:  |                       |                    |                   |                   |
| Contracted services  | —                     | 116,472            | 988,864           | 1,105,336         |
| Repairs, maintenance and PILOT   | —                     | 1,164,047          | 479,073           | 1,643,120         |
| Utilities  | —                     | 39,585             | 43,188            | 82,773            |
| Rent   | —                     | —                  | 2,411,023         | 2,411,023         |
| Insurance and other  | 239,203               | 43,580             | 1,560,180         | 1,842,963         |
| Professional fees  | 8,820                 | 11,886             | 754,308           | 775,014           |
| Interest expense   | 1,223,870             | 123,587            | 7,530             | 1,354,987         |
| Depreciation and amortization  | —                     | 7,639,591          | 1,545,536         | 9,185,127         |
| Economic development project costs, net                                      | 12,416,048            | —                  | 10,919,890        | 23,335,938        |
| Transfers to the Research Foundation for the State<br>University of New York | <u>448,237</u>        | <u>—</u>           | <u>—</u>          | <u>448,237</u>    |
| Total expenses and transfers   | <u>14,336,178</u>     | <u>9,138,748</u>   | <u>18,709,592</u> | <u>42,184,518</u> |
| Increase (decrease) in net assets, before<br>other changes in net assets     | <u>(1,143,732)</u>    | <u>(6,080,453)</u> | <u>8,017,061</u>  | <u>792,876</u>    |
| Other changes in net assets:   |                       |                    |                   |                   |
| Change in fair value of interest rate swaps                                  | <u>(478,252)</u>      | <u>—</u>           | <u>—</u>          | <u>(478,252)</u>  |
|  | <u>(478,252)</u>      | <u>—</u>           | <u>—</u>          | <u>(478,252)</u>  |
| Increase (decrease) in net assets  | <u>\$ (1,621,984)</u> | <u>(6,080,453)</u> | <u>8,017,061</u>  | <u>314,624</u>    |

See accompanying independent auditors report.