



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

Consolidated Financial Statements and Supplementary Information

June 30, 2021 and 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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 5 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 financial information presented for July 1, 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.

Adoption of New Accounting Pronouncement

As discussed in note 1(n) to the consolidated financial statements, in 2021, NY CREATES adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and related amendments. 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 – 10 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
January 11, 2022

**NEW YORK CENTER FOR RESEARCH, ECONOMIC ADVANCEMENT,
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Consolidated Balance Sheets

June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 23,996,980	19,432,519
Rent and related receivables	8,379,684	8,168,114
Grant related receivables	2,500,000	2,500,000
Due from member	1,417,223	1,595,699
Prepaid expenses	—	263,482
	<u>36,293,887</u>	<u>31,959,814</u>
Assets limited as to use:		
By debt agreements	24,304,741	10,676,327
Under grant agreements	67,409,015	84,510,700
By board for capital replacement	1,815,515	1,815,515
	<u>93,529,271</u>	<u>97,002,542</u>
Land, buildings and equipment, net	573,702,182	627,959,798
Right-of-use-assets – operating leases	19,427,203	—
Total assets	<u>\$ 722,952,543</u>	<u>756,922,154</u>
Liabilities and Net Assets		
Liabilities:		
Accrued interest payable	\$ 4,336,884	2,900,233
Construction and other costs payable	6,444,183	14,374,496
Line of credit	12,126,213	14,935,667
Lease liability – finance lease	7,165,152	7,487,221
Lease liability – operating leases	19,665,671	—
Long-term debt, net	317,748,325	341,823,819
Unearned grant funds	52,990,388	63,573,235
Deferred rent	7,577,242	8,982,592
Interest rate swaps	189,491	494,829
Total liabilities	<u>428,243,549</u>	<u>454,572,092</u>
Commitments and contingencies (note 12)		
Net assets:		
Net assets without donor restrictions	294,604,405	302,245,473
Net assets with donor restrictions	104,589	104,589
Total net assets	<u>294,708,994</u>	<u>302,350,062</u>
Total liabilities and net assets	<u>\$ 722,952,543</u>	<u>756,922,154</u>

See accompanying notes to financial statements.

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

Years ended June 30, 2021 and 2020

	2021			2020		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Support and revenue:						
Rental income and other support	\$ 72,432,733	—	72,432,733	71,975,539	—	71,975,539
Grants and other contributions	11,000,000	20,582,847	31,582,847	13,150,000	23,575,040	36,725,040
Interest and dividends	6,407	—	6,407	328,241	—	328,241
Net assets released from restrictions:						
Satisfaction of program designation restrictions	10,701,029	(10,701,029)	—	448,237	(448,237)	—
Satisfaction of construction of facilities restrictions	9,881,818	(9,881,818)	—	85,447,022	(85,447,022)	—
Total support and revenue	<u>104,021,987</u>	<u>—</u>	<u>104,021,987</u>	<u>171,349,039</u>	<u>(62,320,219)</u>	<u>109,028,820</u>
Expenses and equity transfers:						
Contracted services	5,631,266	—	5,631,266	2,604,742	—	2,604,742
Repairs, maintenance and PILOT	4,080,641	—	4,080,641	4,455,539	—	4,455,539
Utilities	2,569,020	—	2,569,020	2,037,973	—	2,037,973
Rent	2,868,045	—	2,868,045	2,411,023	—	2,411,023
Insurance and other	2,811,197	—	2,811,197	4,837,706	—	4,837,706
Professional fees	950,391	—	950,391	1,200,914	—	1,200,914
Interest expense	15,586,598	—	15,586,598	21,907,930	—	21,907,930
Depreciation and amortization	56,867,186	—	56,867,186	55,420,395	—	55,420,395
Economic development project costs, net	9,881,818	—	9,881,818	23,335,938	—	23,335,938
Transfers to The Research Foundation for The State University of New York	10,722,231	—	10,722,231	448,237	—	448,237
Transfers to member	—	—	—	—	—	—
Total expenses and transfers	<u>111,968,393</u>	<u>—</u>	<u>111,968,393</u>	<u>118,660,397</u>	<u>—</u>	<u>118,660,397</u>
(Decrease) increase in net assets, before other changes in net assets	<u>(7,946,406)</u>	<u>—</u>	<u>(7,946,406)</u>	<u>52,688,642</u>	<u>(62,320,219)</u>	<u>(9,631,577)</u>
Other changes in net assets:						
Change in fair value of interest rate swaps	305,338	—	305,338	1,023,283	—	1,023,283
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	<u>305,338</u>	<u>—</u>	<u>305,338</u>	<u>1,196,374</u>	<u>—</u>	<u>1,196,374</u>
(Decrease) increase in net assets	<u>(7,641,068)</u>	<u>—</u>	<u>(7,641,068)</u>	<u>53,885,016</u>	<u>(62,320,219)</u>	<u>(8,435,203)</u>
Net assets, beginning of year	<u>302,245,473</u>	<u>104,589</u>	<u>302,350,062</u>	<u>248,360,457</u>	<u>62,424,808</u>	<u>310,785,265</u>
Net assets, end of year	<u>\$ 294,604,405</u>	<u>104,589</u>	<u>294,708,994</u>	<u>302,245,473</u>	<u>104,589</u>	<u>302,350,062</u>

See accompanying notes to financial statements.

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Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Operating activities:		
Change in net assets	\$ (7,641,068)	(8,435,203)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	56,867,186	55,420,395
Non-cash rent expense	238,467	—
Amortization of bond discount	—	7,254
Extinguishment of debt	—	2,008,265
Loss on sale of facility	—	(89,012)
Amortization of deferred financing cost	1,221,812	3,927,747
Grants and contributions restricted for capital projects	(10,377,107)	(13,786,510)
Economic development cost	9,881,818	23,335,938
Change in fair value of interest rate swaps	(305,338)	(1,023,283)
Cash transfers to The Research Foundation for The State University of New York	10,722,231	448,237
Changes in assets:		
Rent and other receivables	(211,570)	428,497
Due from member	178,476	(643,009)
Prepaid expenses	263,482	(263,482)
Changes in liabilities:		
Construction and other costs payable	29,775	(239,412)
Deferred rent	(1,405,350)	(1,089,015)
Unearned grant funds	(10,205,740)	(9,835,586)
Accrued interest payable	1,436,651	(523,943)
Net cash provided by operating activities	50,693,725	49,647,878
Investing activities:		
Sales of investments held	—	57,499,045
Purchases of investments	—	(51,482,574)
Cash received for sale of facility and equipment	—	1,500,000
Construction and equipment additions and project development costs	(20,451,474)	(30,342,995)
Net cash used in investing activities	(20,451,474)	(22,826,524)
Financing activities:		
Issuance of Series 2020 bonds, net of discount	—	316,416,626
Principal payment on long-term debt	(25,297,306)	(370,237,916)
Borrowing on line of credit	—	1,000,000
Payment on line of credit	(2,809,454)	—
Payments for financing costs	—	(2,483,564)
Payments on capital lease	(322,069)	(298,429)
Grants and contributions restricted for capital projects	10,000,000	13,739,454
Cash transfers to The Research Foundation for The State University of New York	(10,722,232)	(448,237)
Net cash used in financing activities	(29,151,061)	(42,312,066)
Net increase (decrease) in cash and cash equivalents	1,091,190	(15,490,712)
Cash and cash equivalents, beginning of year	116,435,061	131,925,773
Cash and cash equivalents, end of year	\$ 117,526,251	116,435,061
Supplemental disclosure of cash flow information:		
Assets limited as to use included in cash and cash equivalents	\$ 93,529,271	97,002,542
Cash paid for interest	13,986,267	18,045,665

See accompanying notes to financial statements.

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(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.

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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 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 on 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.

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Given the previously existing common control relationship between FRMC and FSMC, the July 1, 2019 balances presented in these consolidated financial statements of NY CREATES are prepared as if the previously separate FRMC and FSMC operations were reported on a combined, when NY CREATES became the sole member of FRMC and FSMC in December 2019. All financial information prior to December 2019 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 NY CREATES, FRMC, FSMC and Quad C Phase I, LLC have been eliminated in the accompanying consolidated financial statements.

(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 and cash equivalents, which are measured at fair value in the balance sheets. Investment income, which may include 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 any 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. 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.

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(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.

(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 8). 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 SUNY's research and educational mission, NY CREATES 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

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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. For the years ended June 30, 2021 and 2020, there were no new properties which required such write downs.

(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 842, *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 5 and 6).

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 holiday, incentives or concessions are recognized as rental income or a deduction from rental income on a straight-line basis over the minimum lease term. Straight-line rent receivable was \$6.9 million and \$7.2 million as of June 30, 2021 and 2020 and is included in rent and related receivables.

(k) Income Taxes

NY CREATES, FRMC and FSMC are tax-exempt organizations under Section 501 (c)(3), 501 (c)(3) and 501(c)(25) of the Code, respectively. NY CREATES, 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, 2021 and 2020.

(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 9).

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Notes to Consolidated Financial Statements

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(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 February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize right-of-use (ROU) assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. For lessors, the accounting for leases is substantially similar to legacy GAAP. Subsequent amendments and guidance were issued through 2019, including ASU 2018-11, *Targeted Improvements to Leases (Topic 842)*, which amended the original guidance to allow for the adoption of ASU 2016-02 to be applied prospectively at the beginning of the period of adoption, which was July 1, 2020 for NY CREATES, without revising prior comparative periods. Comparative reporting periods are therefore presented in accordance with legacy U.S. GAAP and periods subsequent to the adoption date are presented in accordance with Topic 842. The adoption methodology used by the NY CREATES allowed several practical expedients including an election to not to reassess lease classification for expired or existing leases and the use of hindsight in determining the lease term when considering lessee options to extend or terminate the lease.

NY CREATES adopted this standard using the effective date method, with the cumulative-effect adjustment recorded at the beginning of the period of adoption. As a result, the NY CREATES assets and liabilities increased \$20.6 million at July 1, 2020.

(o) Intercorporate Transfers

Operating support from FRMC for NY CREATES and FSMC (through NY CREATES) was required in fiscal year 2021. The total transfer to NY CREATES from FRMC was \$4.450 million in fiscal year 2021, of which \$1.55 million was subsequently transferred from NY CREATES to FSMC.

(2) Liquidity

As of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 23,996,980	19,432,519
Rent and related receivables	1,091,840	2,581,809
Due from member	<u>1,417,223</u>	<u>1,595,699</u>
Total financial assets available within one year	<u>\$ 26,506,043</u>	<u>23,610,027</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, the fiscal year 2021 and 2020 debt service was funded through the Research Foundation.

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

Assets limited as to use at June 30, 2021 and 2020 consist of cash and cash equivalents.

(4) Land, Buildings and Equipment

Buildings and equipment at June 30 are summarized as follows:

	2021	2020
Land	\$ 6,273,866	6,273,866
Buildings and permanent fixtures	1,011,577,889	1,009,381,244
Furnishings and equipment	31,526,834	31,208,883
	1,049,378,589	1,046,863,993
Less accumulated depreciation	(475,676,407)	(418,904,195)
Land, buildings and equipment, net	\$ 573,702,182	627,959,798

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

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 \$3.9 million of financial commitments are outstanding as of June 30, 2021. In addition, FSMC has financial commitments to purchase equipment for these facilities of approximately \$38.8 million as of June 30, 2021. These represent financial commitments of FSMC, up to the value of grants received and will be funded, in part, with assets whose use is limited.

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For the years ended June 30, 2021 and 2020, depreciation expense was \$56.9 million and \$55.4 million, respectively.

(5) 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 \$10.4 and \$0.4 million of cash to the Research Foundation in support of nanotechnology grants in 2021 and 2020, respectively. As of June 30, 2021 and 2020, \$2.5 million was due from the Research Foundation for grant expenditures incurred by FRMC on the Research Foundation's behalf.

NY CREATES and the Research Foundation reached an Agreement for Staffing and Industry Program Services effective July 1, 2020. Under the terms, NY CREATES paid the Research Foundation \$2.8 million in fiscal year 2021, including a one-time set up fee of \$800,000.

(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 \$43.5 million and \$46.0 million for each of years ended June 30, 2021 and 2020, respectively, of which a small portion is in exchange for certain maintenance services and payments 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 8), 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 to \$36 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.

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- 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 8), the 2005 Lease was also 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 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 these cleanrooms.

Rent proceeds from the NanoFab X, NanoFab South and NanoFab North facilities are used to secure payment of the 2020 Bonds (note 8).

(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, 2021 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 \$ 0.4 million and \$ 0.3 million, which are reflected in the statements of activities as rental revenue and contracted services and utilities expense for the years ended June 30, 2021 and 2020, respectively. There were no formal agreements between FRMC and SUNY relative to the provision of in-kind support for the years ended June 30, 2021 and 2020.

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.

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(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 \$7.4 million and \$7.1 million for the years ended June 30, 2021 and 2020, respectively.

(6) Rental Income

NY CREATES currently leases space to various tenants, including the Research Foundation and the State of New York (note 5), 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, 2021:

	<u>FRMC</u>	<u>FSMC</u>	<u>Total</u>
2022	\$ 60,433,957	3,267,624	63,701,581
2023	59,105,553	3,114,006	62,219,559
2024	57,190,058	2,132,875	59,322,933
2025	54,875,658	1,934,799	56,810,457
2026	52,185,556	850,919	53,036,475
Subsequent	140,264,556	1,911,107	142,175,663

(7) Leases

Effective July 1, 2020, NY CREATES accounts for leases in accordance with Topic 842, *Leases*. NY CREATES determines if an arrangement is or contains a lease at contract inception. NY CREATES recognizes a ROU asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how NY CREATES determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. The incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date. The ROU asset is amortized on a straight-line basis over the term of the lease and, along with the periodic interest costs associated with the lease liability, the amortization of this ROU asset is reported as rent expense in accompanying statement of activities.

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Amounts reported in the consolidated balance sheet as of June 30, 2021 were as follows:

		<u>Total</u>
FRMC		
	ROU assets	\$ 62,019
	Lease liabilities	62,019
FSMC		
	ROU assets	\$ 19,365,184
	Lease liabilities	19,603,652
Total		
	ROU assets	\$ 19,427,203
	Lease liabilities	19,665,671

The components of rent expense for the year ended June 30, 2021 were as follows:

		<u>Total</u>
FRMC		
	Amortization of ROU assets	\$ 13,835
	Interest on lease liabilities	13,835
	Term ends: October 20, 2023	
	Interest rate: 7.75%	
FSMC		
	Amortization of ROU assets	1,205,308
	Interest on lease liabilities	582,762
	Term ends: July 1, 2035	
	Incremental borrowing rate: 2.7%	
Total		\$ <u><u>1,815,740</u></u>

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Future lease payments at June 30, 2021 are as follows:

	FRMC	FSMC	Total
Year ending June 30:			
2022	\$ 29,141	1,559,162	1,588,303
2023	29,141	1,559,162	1,588,303
2024	9,714	1,559,162	1,568,876
2025	—	1,559,162	1,559,162
2026	—	1,663,838	1,663,838
Thereafter	—	15,773,210	15,773,210
Total undiscounted lease payments	67,996	23,673,696	23,741,692
Less net present value adjustment	(5,977)	(4,070,044)	(4,076,021)
Lease liability	\$ 62,019	19,603,652	19,665,671

Finance Lease

During 2014, FRMC entered into a finance lease with respect to the Tech Valley High School building located on the SUNY Poly campus in Albany which is reflected in buildings and permanent fixtures in land, buildings, and equipment. Future minimum lease payments, under the finance lease obligation, are as follows, as of June 30, 2021:

Year ending June 30:	
2022	\$ 740,513
2023	740,513
2024	740,513
2025	771,367
2026	777,538
Thereafter	6,544,279
Total minimum lease payments	10,314,723
Less amounts representing imputed interest (rate of 5.7%)	3,149,571
Present value of net minimum lease payments	\$ 7,165,152

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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(8) Long-Term Debt

Long term debt consists of the following at June 30:

	2021	2020
Taxable revenue bonds, Series 2020 (a)	\$ 303,145,000	318,040,000
Amended Loan Agreement (b)	17,915,250	26,433,800
Supplemental Loan Agreement (c)	154,805	232,206
Loan Agreement (d)	307,287	2,113,642
	321,522,342	346,819,648
Less:		
Unamortized deferred financing costs	3,774,017	4,995,829
Long-term debt, net	\$ 317,748,325	341,823,819

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 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 5) 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.

FSMC

(b) 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.

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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 9). At June 30, 2021, the interest rate was 1.375%.

(c) 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, 2021, the interest rate was 1.375%.

(d) 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. This loan was fully paid off in August 2021.

FSMC must satisfy certain financial and reporting requirements so long as the respective loans are outstanding. As of and subsequent to June 30, 2021, FSMC was not in compliance with certain of these requirements. The lending institutions have waived these instances of noncompliance.

The following are the required principal payments on long term debt for the next five years and subsequent periods as of June 30, 2021:

Year ending June 30:	
2022	\$ 36,312,690
2023	37,454,652
2024	29,475,000
2025	30,725,000
2026	32,030,000
Subsequent	<u>155,525,000</u>
	<u>\$ 321,522,342</u>

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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:

	2021	2020
Series 2020 Bonds:		
Bond proceeds	\$ —	12,886
Bond sinking fund	20,340,000	7,447,500
Bond interest	3,232,285	2,551,953
	23,572,285	10,012,339
Building loan and amended loan agreement:		
Lockbox	107,598	39,442
Capital/maintenance reserve	624,858	624,546
	732,456	663,988
	\$ 24,304,741	10,676,327

(9) Interest Rate Swap Agreements

NY CREATES enters into interest rate swaps from time to time, in connection with 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.

A summary of the swaps outstanding at June 30, 2021 and 2020 follows:

Swap agreement	Notional value as of June 30		Fair value as of June 30 liability		Change in fair value
	2021	2020	2021	2020	
FSMC:					
Amended loan agreement	17,915,250	26,433,800	(189,491)	(494,829)	305,338
Interest rate swap liability, net			\$ (189,491)	(494,829)	
Change in fair value of interest rate swaps for year ended June 30, 2021					\$ 305,338

The swap agreement with Key Bank is 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

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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.

(10) 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 \$12.1 million and \$14.9 million at June 30, 2021 and 2020, respectively.

(11) 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, 2021, 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.

(12) 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.

Expenses by functional classification for the year ended June 30, 2021, consist of the following:

	<u>Facilities and related property management</u>	<u>Administrative</u>	<u>Total</u>
Operating expenses:			
Contracted services	\$ 4,475,617	1,155,649	5,631,266
Repairs, maintenance, and supplies	4,080,641	—	4,080,641
Utilities	2,569,020	—	2,569,020
Rent	2,868,045	—	2,868,045
Insurance and other	2,144,098	667,099	2,811,197
Professional fees	492,741	457,650	950,391
Interest expense	15,586,598	—	15,586,598
Depreciation and amortization	56,867,186	—	56,867,186
Economic development project costs, net	9,881,818	—	9,881,818
Transfers to the Research Foundation	10,722,231	—	10,722,231
	<u>\$ 109,687,995</u>	<u>2,280,398</u>	<u>111,968,393</u>

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

	Facilities and related property management	Administrative	Total
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 Research Foundation	448,237	—	448,237
	<u>\$ 116,170,793</u>	<u>2,489,604</u>	<u>118,660,397</u>

(13) 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 January 11, 2022 and subsequent events have been evaluated through that date.

FULLER ROAD MANAGEMENT CORPORATION

Balance Sheets

June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 22,477,576	17,954,028
Rent and related receivables	4,796,177	5,092,876
Grant related receivables	2,500,000	2,500,000
Due from member	1,294,325	1,346,822
Prepaid expenses	—	118,567
	<u>31,068,078</u>	<u>27,012,293</u>
Assets limited as to use:		
By debt agreements	23,572,285	10,012,339
Under grant agreements	817,353	1,215,770
By board for capital replacement	1,815,515	1,815,515
	<u>26,205,153</u>	<u>13,043,624</u>
Land, buildings and equipment, net	544,634,696	589,613,265
Right-of-use-assets – operating leases	62,019	—
Total assets	<u>\$ 601,969,946</u>	<u>629,669,182</u>
Liabilities and Net Assets		
Liabilities:		
Accrued interest payable	\$ 4,292,533	2,835,503
Construction and other costs payable	1,313,563	1,367,460
Line of credit	12,126,213	14,935,667
Capital lease payable	7,165,152	7,487,221
Lease liability – operating leases	62,019	—
Long term debt, net	299,815,732	313,905,354
Unearned grant funds	14,500	391,607
Deferred rent	6,576,284	8,150,067
Total liabilities	<u>331,365,996</u>	<u>349,072,879</u>
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	270,499,361	280,491,714
Net assets with donor restrictions	104,589	104,589
Total net assets	<u>270,603,950</u>	<u>280,596,303</u>
Total liabilities and net assets	<u>\$ 601,969,946</u>	<u>629,669,182</u>

See accompanying independent auditors report.

FULLER ROAD MANAGEMENT CORPORATION

Statements of Activities

Years ended June 30, 2021 and 2020

	2021			2020		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Support and revenue:						
Rental income and other support	\$ 63,810,263	—	63,810,263	65,770,241	—	65,770,241
Grants and other contributions	—	10,377,107	10,377,107	—	(47,056)	(47,056)
Interest and dividends	6,408	—	6,408	328,241	—	328,241
Net assets released from restrictions:						
Satisfaction of program designation restrictions	10,377,107	(10,377,107)	—	—	—	—
Satisfaction of construction of facilities restrictions	—	—	—	62,273,163	(62,273,163)	—
Total support and revenue	74,193,778	—	74,193,778	128,371,645	(62,320,219)	66,051,426
Expenses and equity transfers:						
Contracted services	1,622,322	—	1,622,322	1,499,406	—	1,499,406
Repairs, maintenance and PILOT	2,005,639	—	2,005,639	2,812,419	—	2,812,419
Utilities	2,489,304	—	2,489,304	1,955,200	—	1,955,200
Insurance and other	688,888	—	688,888	2,994,743	—	2,994,743
Professional fees	404,348	—	404,348	425,900	—	425,900
Interest expense	14,539,184	—	14,539,184	20,552,943	—	20,552,943
Depreciation and amortization	47,588,137	—	47,588,137	46,235,268	—	46,235,268
Transfers to The Research Foundation for The State University of New York	10,398,309	—	10,398,309	—	—	—
Transfers to member	4,450,000	—	4,450,000	—	—	—
Total expenses and transfers	84,186,131	—	84,186,131	76,475,879	—	76,475,879
Increase (decrease) in net assets, before other changes in net assets	(9,992,353)	—	(9,992,353)	51,895,766	(62,320,219)	(10,424,453)
Other changes in net assets:						
Change in fair value of interest rate swaps	—	—	—	1,501,535	—	1,501,535
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	(9,992,353)	—	(9,992,353)	53,570,392	(62,320,219)	(8,749,827)
Net assets, beginning of year	280,491,714	104,589	280,596,303	226,921,322	62,424,808	289,346,130
Net assets, end of year	\$ 270,499,361	104,589	270,603,950	280,491,714	104,589	280,596,303

See accompanying independent auditors report.

FULLER ROAD MANAGEMENT CORPORATION

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating activities:		
Change in net assets	\$ (9,992,353)	(8,749,827)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	47,588,137	46,235,268
Amortization of bond discount	—	7,254
Extinguishment of debt	—	2,008,265
Loss on sale of facility	—	(89,012)
Amortization of deferred financing cost	805,378	3,511,313
Grants and contributions restricted for capital projects	(10,377,107)	(47,056)
Change in fair value of interest rate swaps	—	(1,501,535)
Cash transfers to The Research Foundation for The State University of New York	10,398,309	—
Transfers to member	4,450,000	—
Changes in assets:		
Rent and other receivables	296,699	35,794
Due from member	52,497	(536,503)
Prepaid expenses	118,567	(118,567)
Changes in liabilities:		
Construction and other costs payable	(53,897)	(308,741)
Deferred rent and deferred revenue	(1,573,783)	(968,380)
Unearned grant funds	—	47,056
Accrued interest payable	1,457,030	(501,435)
Net cash provided by operating activities	<u>43,169,477</u>	<u>39,023,894</u>
Investing activities:		
Sales of investments held	—	57,499,045
Purchases of investments	—	(51,482,574)
Cash received for sale of facility	—	1,500,000
Transfers to member	(4,450,000)	—
Construction and equipment additions and project development costs	<u>(2,609,568)</u>	<u>(703,481)</u>
Net cash (used in) provided by investing activities	<u>(7,059,568)</u>	<u>6,812,990</u>
Financing activities:		
Issuance of Series 2020 Bonds, net of discount	—	316,416,626
Principal payment on long-term debt	(14,895,000)	(360,215,922)
Borrowing on line of credit	—	1,000,000
Payment on line of credit	(2,809,454)	—
Payments for financing costs	—	(2,483,564)
Payments on capital lease	(322,069)	(298,429)
Grants and contributions restricted for capital projects	10,000,000	—
Cash transfers to The Research Foundation for The State University of New York	<u>(10,398,309)</u>	<u>—</u>
Net cash used in financing activities	<u>(18,424,832)</u>	<u>(45,581,289)</u>
Net increase in cash and cash equivalents	17,685,077	255,595
Cash and cash equivalents, beginning of year	<u>30,997,652</u>	<u>30,742,057</u>
Cash and cash equivalents, end of year	<u>\$ 48,682,729</u>	<u>30,997,652</u>
Supplemental disclosure of cash flow information:		
Assets limited as to use included in cash and cash equivalents	\$ 26,205,153	13,043,624
Cash paid for interest	13,349,909	17,099,604

See accompanying independent auditors report.

FORT SCHUYLER MANAGEMENT CORPORATION

Balance Sheet

June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 1,419,439	1,478,491
Rent and related receivables	3,583,506	3,075,238
Due from member	122,898	248,877
Prepaid expense	—	144,915
	<u>5,125,843</u>	<u>4,947,521</u>
Assets limited as to use:		
By debt agreements	732,456	663,988
Under grant agreements	66,591,662	83,294,930
	<u>67,324,118</u>	<u>83,958,918</u>
Land, buildings and equipment, net	29,067,486	38,346,533
Right-of-use-assets – operating leases	19,365,184	—
Total assets	<u>\$ 120,882,631</u>	<u>127,252,972</u>
Liabilities and Net Assets		
Liabilities:		
Accrued interest payable	\$ 44,351	64,730
Construction and other costs payable	5,130,620	13,007,036
Lease liability – operating leases	19,603,651	—
Long-term debt, net	17,932,593	27,918,465
Unearned grant funds	52,975,888	63,181,628
Deferred rent	1,000,958	832,525
Interest rate swap	189,491	494,829
Total liabilities	<u>96,877,552</u>	<u>105,499,213</u>
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	<u>24,005,079</u>	<u>21,753,759</u>
Total net assets	<u>24,005,079</u>	<u>21,753,759</u>
Total liabilities and net assets	<u>\$ 120,882,631</u>	<u>127,252,972</u>

See accompanying independent auditors report.

FORT SCHUYLER MANAGEMENT CORPORATION

Statement of Activities

Years ended June 30, 2021 and 2020

	2021			2020		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Support and revenue:						
Rental income and other support	\$ 8,622,470	—	8,622,470	6,205,298	—	6,205,298
Grant and other contributions	12,550,000	10,205,740	22,755,740	13,150,000	23,622,096	36,772,096
Net assets released from restrictions:						
Satisfaction of program designation restrictions	323,922	(323,922)	—	448,237	(448,237)	—
Satisfaction of construction of facilities restrictions	9,881,818	(9,881,818)	—	23,173,859	(23,173,859)	—
Total support and revenue	31,378,210	—	31,378,210	42,977,394	—	42,977,394
Expenses:						
Contracted services	1,208,944	—	1,208,944	1,105,336	—	1,105,336
Repairs, maintenance and PILOT	2,075,003	—	2,075,003	1,643,120	—	1,643,120
Utilities	79,716	—	79,716	82,773	—	82,773
Rent	2,868,045	—	2,868,045	2,411,023	—	2,411,023
Insurance and other	2,122,274	—	2,122,274	1,842,963	—	1,842,963
Professional fees	546,043	—	546,043	775,014	—	775,014
Interest	1,047,414	—	1,047,414	1,354,987	—	1,354,987
Depreciation and amortization	9,279,049	—	9,279,049	9,185,127	—	9,185,127
Economic development project costs, net	9,881,818	—	9,881,818	23,335,938	—	23,335,938
Transfers to the Research Foundation for The State University of New York	323,922	—	323,922	448,237	—	448,237
Total expenses and transfers	29,432,228	—	29,432,228	42,184,518	—	42,184,518
Increase in net assets, before other changes in net assets	1,945,982	—	1,945,982	792,876	—	792,876
Other changes in net assets:						
Change in fair value of interest rate swaps	305,338	—	305,338	(478,252)	—	(478,252)
Increase in net assets	2,251,320	—	2,251,320	314,624	—	314,624
Net assets, beginning of year	21,753,759	—	21,753,759	21,439,135	—	21,439,135
Net assets, end of year	\$ 24,005,079	—	24,005,079	21,753,759	—	21,753,759

See accompanying independent auditors report.

FORT SCHUYLER MANAGEMENT CORPORATION

Statement of Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating activities:		
Change in net assets	\$ 2,251,320	314,624
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,279,049	9,185,127
Payment of right-of-use lease obligations-operating leases	238,470	—
Amortization of deferred financing cost	416,434	416,434
Grants and contributions restricted for capital projects	—	(13,739,454)
Economic development cost	9,881,818	23,335,938
Change in value of interest rate swap	(305,337)	478,252
Transfers to the Research Foundation for The State University of New York	323,922	448,237
Change in assets:		
Rent and other receivables	(508,268)	392,703
Due from member	125,979	(106,506)
Prepaid expenses	144,915	(144,915)
Change in liabilities:		
Construction and other expenses payable	83,672	69,329
Deferred rent and deferred revenue	168,433	(120,635)
Unearned grant funds	(10,205,740)	(9,882,642)
Accrued interest payable	(20,379)	(22,508)
Net cash provided by operating activities	<u>11,874,288</u>	<u>10,623,984</u>
Investing activities:		
Construction and equipment additions and project development costs	<u>(17,841,906)</u>	<u>(29,639,514)</u>
Net cash used in investing activities	<u>(17,841,906)</u>	<u>(29,639,514)</u>
Financing activities:		
Payments on amended loan agreement	(8,518,550)	(8,236,250)
Payments on supplemental loan note	(77,402)	(77,401)
Payments on loan agreement	(1,806,354)	(1,708,343)
Grants and contributions restricted for capital projects	—	13,739,454
Transfers to the Research Foundation for The State University of New York	<u>(323,922)</u>	<u>(448,237)</u>
Net cash (used in) provided by financing activities	<u>(10,726,228)</u>	<u>3,269,223</u>
Net decrease in cash and cash equivalents	(16,693,846)	(15,746,307)
Cash and cash equivalents, beginning of year	<u>85,437,409</u>	<u>101,183,716</u>
Cash and cash equivalents, end of year	<u>\$ 68,743,563</u>	<u>85,437,409</u>
Supplemental disclosure of cash flow information:		
Assets limited as to use included in cash and cash equivalents	\$ 67,324,118	83,958,918
Cash paid for interest	638,358	946,061

See accompanying independent auditors report.

FORT SCHUYLER MANAGEMENT CORPORATION

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

Year ended June 30, 2021

	<u>Quad C</u>	<u>Key Center</u>	<u>All other</u>	<u>Total</u>
Support and revenue:				
Rental income and other support	\$ 157,283	3,140,162	5,325,025	8,622,470
Grants and other contributions	6,004,650	—	16,751,090	22,755,740
Total support and revenue	<u>6,161,933</u>	<u>3,140,162</u>	<u>22,076,115</u>	<u>31,378,210</u>
Expenses:				
Contracted services	—	116,472	1,092,472	1,208,944
Repairs, maintenance and PILOT	—	1,157,351	917,652	2,075,003
Utilities	5,011	30,842	43,863	79,716
Rent	—	—	2,868,045	2,868,045
Insurance and other	242,516	33,097	1,846,661	2,122,274
Professional fees	73,754	6,187	466,102	546,043
Interest expense	964,307	75,577	7,530	1,047,414
Depreciation and amortization	—	7,733,512	1,545,537	9,279,049
Economic development project costs, net	6,103,112	—	3,778,706	9,881,818
Transfers to the Research Foundation for The State University of New York	323,922	—	—	323,922
Total expenses and transfers	<u>7,712,622</u>	<u>9,153,038</u>	<u>12,566,568</u>	<u>29,432,228</u>
Increase (decrease) in net assets, before other changes in net assets	<u>(1,550,689)</u>	<u>(6,012,876)</u>	<u>9,509,547</u>	<u>1,945,982</u>
Other changes in net assets:				
Change in fair value of interest rate swaps	305,338	—	—	305,338
	<u>305,338</u>	<u>—</u>	<u>—</u>	<u>305,338</u>
Increase (decrease) in net assets	<u>\$ (1,245,351)</u>	<u>(6,012,876)</u>	<u>9,509,547</u>	<u>2,251,320</u>

See accompanying independent auditors report.

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

Balance Sheet

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 99,965	—
Total assets	<u>\$ 99,965</u>	<u>—</u>
Net Assets		
Net assets:		
Net assets without donor restrictions	\$ 99,965	—
Total net assets	<u>99,965</u>	<u>—</u>
Total liabilities and net assets	<u>\$ 99,965</u>	<u>—</u>

See accompanying independent auditors report.

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

Statement of Activities

Years ended June 30, 2021 and 2020

	2021			2020		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Support and revenue:						
Grant and other contributions	\$ 4,450,000	—	4,450,000	—	—	—
Total support and revenue	<u>4,450,000</u>	<u>—</u>	<u>4,450,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenses:						
Contracted services	2,800,000	—	2,800,000	—	—	—
Insurance and other	35	—	35	—	—	—
Transfer to FSMC	1,550,000	—	1,550,000	—	—	—
Total expenses and transfers	<u>4,350,035</u>	<u>—</u>	<u>4,350,035</u>	<u>—</u>	<u>—</u>	<u>—</u>
Increase in net assets, before other changes in net assets	<u>99,965</u>	<u>—</u>	<u>99,965</u>	<u>—</u>	<u>—</u>	<u>—</u>
Increase in net assets	99,965	—	99,965	—	—	—
Net assets, beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets, end of year	<u>\$ 99,965</u>	<u>—</u>	<u>99,965</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors report.

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

Statement of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Operating activities:		
Change in net assets	\$ 99,965	—
Net cash provided by operating activities	99,965	—
Net increase in cash and cash equivalents	99,965	—
Cash and cash equivalents, beginning of year	—	—
Cash and cash equivalents, end of year	\$ 99,965	—

See accompanying independent auditors report.