



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

Consolidated Financial Statements and Supplementary Information

June 30, 2022 and 2021

(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

New York Center for Research, Economic Advancement, Technology, Engineering and Science Corporation:

Opinion

We have audited the consolidated financial statements of New York Center for Research, Economic Advancement, Technology, Engineering and Science Corporation (Company), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 5 to the consolidated financial statements, the Company has 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,



misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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 through 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 GAAS. 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 24, 2023

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

June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 29,412,734	23,996,980
Rent and related receivables	7,512,405	8,379,684
Grant related receivables	—	2,500,000
Due from member	3,256,918	1,417,223
Prepaid expenses	99,747	—
	<u>40,281,804</u>	<u>36,293,887</u>
Assets limited as to use:		
By debt agreements	25,059,525	24,304,741
Under grant agreements	60,946,620	67,409,015
By board for capital replacement	1,815,515	1,815,515
	<u>87,821,660</u>	<u>93,529,271</u>
Land, buildings and equipment, net	520,698,806	573,702,182
Right-of-use-assets – operating leases	17,880,840	19,427,203
Other assets	116,574	—
Interest rate swap	7,173	—
	<u>666,806,857</u>	<u>722,952,543</u>
Total assets	\$ 666,806,857	722,952,543
Liabilities and Net Assets		
Liabilities:		
Accrued interest payable	\$ 3,930,878	4,336,884
Construction and other costs payable	4,882,880	6,444,183
Line of credit	9,938,391	12,126,213
Lease liability – finance lease	6,824,238	7,165,152
Lease liability – operating leases	18,631,104	19,665,671
Long-term debt, net	282,357,921	317,748,325
Unearned grant funds	48,804,500	52,990,388
Deferred rent	5,546,435	7,577,242
Interest rate swap	—	189,491
	<u>380,916,347</u>	<u>428,243,549</u>
Total liabilities	380,916,347	428,243,549
Commitments and contingencies (note 11)		
Net assets:		
Net assets without donor restrictions	285,785,921	294,604,405
Net assets with donor restrictions	104,589	104,589
	<u>285,890,510</u>	<u>294,708,994</u>
Total net assets	285,890,510	294,708,994
Total liabilities and net assets	\$ 666,806,857	722,952,543

See accompanying notes to financial statements.

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Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

	2022			2021		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Support and revenue:						
Rental income and other support	\$ 70,268,541	—	70,268,541	72,432,733	—	72,432,733
Grants and other contributions	9,420,936	4,185,889	13,606,825	11,000,000	20,582,847	31,582,847
Interest and dividends	3,806	—	3,806	6,407	—	6,407
Net assets released from restrictions:						
Satisfaction of program designation restrictions	91,588	(91,588)	—	10,701,029	(10,701,029)	—
Satisfaction of construction of facilities restrictions	4,094,301	(4,094,301)	—	9,881,818	(9,881,818)	—
Total support and revenue	<u>83,879,172</u>	<u>—</u>	<u>83,879,172</u>	<u>104,021,987</u>	<u>—</u>	<u>104,021,987</u>
Expenses and equity transfers:						
Contracted services	5,364,471	—	5,364,471	5,631,266	—	5,631,266
Repairs, maintenance and PILOT	4,349,739	—	4,349,739	4,080,641	—	4,080,641
Utilities	4,152,408	—	4,152,408	2,569,020	—	2,569,020
Rent	2,711,927	—	2,711,927	2,868,045	—	2,868,045
Insurance and other	3,122,890	—	3,122,890	2,811,197	—	2,811,197
Professional fees	645,644	—	645,644	950,391	—	950,391
Interest expense	13,862,045	—	13,862,045	15,586,598	—	15,586,598
Depreciation and amortization	51,961,966	—	51,961,966	56,867,186	—	56,867,186
Economic development project costs, net	6,631,642	—	6,631,642	9,881,818	—	9,881,818
Transfers to The Research Foundation for The State University of New York	91,588	—	91,588	10,722,231	—	10,722,231
Total expenses and transfers	<u>92,894,320</u>	<u>—</u>	<u>92,894,320</u>	<u>111,968,393</u>	<u>—</u>	<u>111,968,393</u>
Decrease in net assets, before other changes in net assets	<u>(9,015,148)</u>	<u>—</u>	<u>(9,015,148)</u>	<u>(7,946,406)</u>	<u>—</u>	<u>(7,946,406)</u>
Other changes in net assets:						
Change in fair value of interest rate swap	196,664	—	196,664	305,338	—	305,338
Decrease in net assets	<u>196,664</u>	<u>—</u>	<u>196,664</u>	<u>305,338</u>	<u>—</u>	<u>305,338</u>
Net assets, beginning of year	294,604,405	104,589	294,708,994	302,245,473	104,589	302,350,062
Net assets, end of year	<u>\$ 285,785,921</u>	<u>104,589</u>	<u>285,890,510</u>	<u>294,604,405</u>	<u>104,589</u>	<u>294,708,994</u>

See accompanying notes to financial statements.

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Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Operating activities:		
Change in net assets	\$ (8,818,484)	(7,641,068)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	51,961,966	56,867,186
Non-cash rent expense	512,919	238,467
Amortization of deferred financing cost	922,287	1,221,812
Grants and contributions restricted for capital projects	(14,500)	(10,377,107)
Economic development cost	6,631,642	9,881,818
Change in fair value of interest rate swap	(196,664)	(305,338)
Cash transfers to The Research Foundation for The State University of New York	91,588	10,722,231
Changes in assets:		
Rent and other receivables	867,279	(211,570)
Due from member	660,311	178,476
Prepaid expenses	(99,747)	263,482
Right-of-use-assets - operating leases	24,092	—
Other assets	(116,574)	—
Changes in liabilities:		
Construction and other costs payable	(2,005)	29,775
Deferred rent	(2,030,807)	(1,405,350)
Unearned grant funds	(4,171,388)	(10,205,740)
Accrued interest payable	(406,006)	1,436,651
Lease liability - operating leases	(25,217)	—
Net cash provided by operating activities	<u>45,790,692</u>	<u>50,693,725</u>
Investing activities:		
Construction and equipment additions and project development costs	<u>(7,149,535)</u>	<u>(20,451,474)</u>
Net cash used in investing activities	<u>(7,149,535)</u>	<u>(20,451,474)</u>
Financing activities:		
Principal payment on long-term debt	(36,312,690)	(25,297,306)
Payment on line of credit	(2,187,822)	(2,809,454)
Payments on capital lease	(340,914)	(322,069)
Grants and contributions restricted for capital projects	—	10,000,000
Cash transfers to The Research Foundation for The State University of New York	(91,588)	(10,722,232)
Net cash used in financing activities	<u>(38,933,014)</u>	<u>(29,151,061)</u>
Net (decrease) increase in cash and cash equivalents	<u>(291,857)</u>	<u>1,091,190</u>
Cash and cash equivalents, beginning of year	<u>117,526,251</u>	<u>116,435,061</u>
Cash and cash equivalents, end of year	<u>\$ 117,234,394</u>	<u>117,526,251</u>
Supplemental disclosure of cash flow information:		
Assets limited as to use included in cash and cash equivalents	\$ 87,821,660	93,529,271
Cash paid for interest	13,330,765	13,986,267

See accompanying notes to financial statements.

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(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.

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

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(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.

(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.

(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

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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 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 statements of activities.

For the year ended June 30, 2022, NY CREATES recognized \$2.5 million as incremental project development costs related to the Kiernan Plaza property. For the year ended June 30, 2021, 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.

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(j) Leases, Rental Income and Lease Obligations

NY CREATES is both a lessor and a lessee and applies the guidance of ASC 842, *Leases*, to account for its lease arrangements.

(i) Rental Income

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 \$7.4 million and \$6.9 million as of June 30, 2022 and 2021 and is included in rent and related receivables.

(ii) Lease Obligations

When NY CREATES enters into an arrangement to use an asset through an operating lease, 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 lease term generally is the non-cancellable period of the lease. Lease payments include fixed and certain variable lease payments and options to purchase the asset if reasonably certain.

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.

(k) Income Taxes

NY CREATES, FRMC and FSMC are tax-exempt organizations under Section 501(c)(3), 501(c)(25), and 501(c)(3) 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

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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, 2022 and 2021.

(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).

(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) Intercorporate Transfers

Operating support from FRMC for NY CREATES and FSMC (through NY CREATES) was required in fiscal year 2022 and 2021. The total transfer to NY CREATES from FRMC was \$6.6 million and \$4.5 million in fiscal years 2022 and 2021, respectively, of which \$3.03 million and \$1.6 million was subsequently transferred from NY CREATES to FSMC in 2022 and 2021, respectively.

(2) Liquidity

As of June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 29,412,734	23,996,980
Rent and related receivables	135,365	1,091,840
Due from member	<u>3,116,918</u>	<u>1,417,223</u>
Total financial assets available within one year	<u>\$ 32,665,017</u>	<u>26,506,043</u>

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.

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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 2022 and 2021 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, 2022 and 2021 consist of cash and cash equivalents.

(4) Land, Buildings and Equipment

Buildings and equipment at June 30 are summarized as follows:

	2022	2021
Land	\$ 6,273,866	6,273,866
Buildings and permanent fixtures	1,009,417,697	1,011,577,889
Furnishings and equipment	32,576,090	31,526,834
	1,048,267,653	1,049,378,589
Less accumulated depreciation	(527,568,847)	(475,676,407)
Land, buildings and equipment, net	\$ 520,698,806	573,702,182

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

FSMC has executed construction agreements in relation to projects in progress, for which approximately \$1.03 million of financial commitments are outstanding as of June 30, 2022. In addition, FSMC has financial commitments to purchase equipment for these facilities of approximately \$7.7 million as of June 30, 2022. 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.

For the years ended June 30, 2022 and 2021, depreciation expense was \$52 million and \$56.9 million, respectively.

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(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 \$14.5 thousand and \$10.4 million of cash to the Research Foundation in support of nanotechnology grants in 2022 and 2021, respectively. As of June 30, 2022 and 2021, \$0 and \$2.5 million was due, respectively from the Research Foundation for grant expenditures incurred by FRMC on the Research Foundation's behalf.

NY CREATES and the Research Foundation executed an Agreement for Staffing and Industry Program Services effective July 1, 2020. Under the terms, NY CREATES paid the Research Foundation \$2.0 million in fiscal year 2022 and \$2.8 million in fiscal year 2021, including a one-time set up fee of \$800 thousand.

(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 for each of years ended June 30, 2022 and 2021, 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, as amended in 2005, is for research facilities through 2045. The annual rent is determined by SUNY's Board of Trustees as it deems appropriate. Such amounts have remained at \$1 per year from inception through the year ended June 30, 2022 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 \$ 0.5 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, 2022 and 2021, respectively. There were no formal agreements between FRMC and SUNY relative to the provision of in-kind support for the years ended June 30, 2022 and 2021.

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 \$7.9 million and \$7.4 million for the years ended June 30, 2022 and 2021, respectively.

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(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, 2022:

	<u>FRMC</u>	<u>FSMC</u>	<u>Total</u>
2023	\$ 58,917,910	3,114,006	62,031,916
2024	57,125,964	2,132,875	59,258,839
2025	54,801,037	1,934,799	56,735,836
2026	51,717,392	850,919	52,568,311
2027	50,813,775	550,128	51,363,903
Subsequent	136,207,833	1,360,979	137,568,812

(7) Lease Obligations

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

		<u>2022</u>	<u>2021</u>
FRMC			
	ROU assets	\$ 37,927	62,019
	Lease liabilities	36,802	62,019
FSMC			
	ROU assets	\$ 17,842,913	19,365,184
	Lease liabilities	18,594,302	19,603,652
Total			
	ROU assets	\$ 17,880,840	19,427,203
	Lease liabilities	18,631,104	19,665,671

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

	2022	2021
FRMC		
Amortization of ROU assets	\$ 24,092	13,835
Interest on lease liabilities	3,923	13,835
Term ends: October 20, 2023		
Interest rate: 7.75%		
FSMC		
Amortization of ROU assets	1,522,271	1,205,308
Interest on lease liabilities	549,812	582,762
Term ends: July 1, 2035		
Incremental borrowing rate: 2.7%		
Total	\$ 2,100,098	1,815,740

Future lease payments at June 30, 2022 are as follows:

	FRMC	FSMC	Total
Year ending June 30:			
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
2027	—	1,673,353	1,673,353
Thereafter	—	14,099,856	14,099,856
Total undiscounted lease payments	38,855	22,114,533	22,153,388
Less net present value adjustment	(2,053)	(3,520,231)	(3,522,284)
Lease liability	\$ 36,802	18,594,302	18,631,104

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,

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buildings, and equipment. Future minimum lease payments, under the finance lease obligation, are as follows, as of June 30, 2022:

Year ending June 30:		
2023	\$	740,513
2024		740,513
2025		771,367
2026		777,538
2027		777,538
Thereafter		<u>5,766,741</u>
Total minimum lease payments		9,574,210
Less amounts representing imputed interest (rate of 5.7%)		<u>2,749,972</u>
Present value of net minimum lease payments	\$	<u><u>6,824,238</u></u>

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

(8) Long-Term Debt

Long term debt consists of the following at June 30:

	2022	2021
Taxable revenue bonds, Series 2020 (a)	\$ 276,025,000	303,145,000
Amended Loan Agreement (b)	9,107,250	17,915,250
Supplemental Loan Agreement (c)	77,402	154,805
Loan Agreement (d)	<u>—</u>	<u>307,287</u>
	285,209,652	321,522,342
Less:		
Unamortized deferred financing costs	<u>2,851,731</u>	<u>3,774,017</u>
Long-term debt, net	\$ <u><u>282,357,921</u></u>	<u><u>317,748,325</u></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

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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 were due annually over an 8-year term, and a scheduled maturity of 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 9). At June 30, 2022, the interest rate was 2.31%. The loan was fully paid off in August 2022.

(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 were due over an 8 year term. At June 30, 2022, the interest rate was 2.31%. The loan was fully paid off in August 2022.

(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 was 2.69% with monthly payments of principal and interest. This loan was fully paid off in August 2021.

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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, 2022:

Year ending June 30:	
2023	\$ 37,454,652
2024	29,475,000
2025	30,725,000
2026	32,030,000
2027	33,390,000
Subsequent	<u>122,135,000</u>
	<u>\$ 285,209,652</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>2022</u>	<u>2021</u>
Series 2020 Bonds:		
Bond revenue	\$ 4,148,999	—
Bond sinking fund	14,135,000	20,340,000
Bond interest	<u>5,862,772</u>	<u>3,232,285</u>
	<u>24,146,771</u>	<u>23,572,285</u>
Building loan and amended loan agreement:		
Lockbox	287,584	107,598
Capital/maintenance reserve	<u>625,170</u>	<u>624,858</u>
	<u>912,754</u>	<u>732,456</u>
	<u>\$ 25,059,525</u>	<u>24,304,741</u>

(9) Interest Rate Swap Agreement

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.

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A summary of the swap outstanding at June 30, 2022 and 2021 follows:

<u>Swap agreement</u>	<u>Notional value as of June 30</u>		<u>Fair value as of June 30</u> <u>asset (liability)</u>		<u>Change in</u> <u>fair value</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	
FSMC:					
Amended Loan Agreement	\$ 9,107,250	17,915,250	7,173	(189,491)	196,664

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 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.

(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 \$9.9 million and \$12.1 million at June 30, 2022 and 2021, 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, 2022, 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's 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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Expenses by functional classification for the year ended June 30, 2022, consist of the following:

	Facilities and related property management	Administrative	Total
Operating expenses:			
Contracted services	\$ 3,630,074	1,734,397	5,364,471
Repairs, maintenance, and PILOT	4,349,739	—	4,349,739
Utilities	4,152,408	—	4,152,408
Rent	2,711,927	—	2,711,927
Insurance and other	2,206,692	916,198	3,122,890
Professional fees	76,533	569,111	645,644
Interest expense	13,862,045	—	13,862,045
Depreciation and amortization	51,961,966	—	51,961,966
Economic development project costs, net	6,631,642	—	6,631,642
Transfers to the Research Foundation	91,588	—	91,588
	<u>\$ 89,674,614</u>	<u>3,219,706</u>	<u>92,894,320</u>

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

	Facilities and related property management	Administrative	Total
Operating expenses:			
Contracted services	\$ 4,475,617	1,155,649	5,631,266
Repairs, maintenance, and PILOT	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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(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 February 24, 2023 and subsequent events have been evaluated through that date.

FULLER ROAD MANAGEMENT CORPORATION

Balance Sheets

June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 24,916,829	22,477,576
Rent and related receivables	4,664,213	4,796,177
Grant related receivables	—	2,500,000
Due from member	2,975,784	1,294,325
Prepaid expenses	247	—
	<u>32,557,073</u>	<u>31,068,078</u>
Assets limited as to use:		
By debt agreements	24,146,771	23,572,285
Under grant agreements	81,680	817,353
By board for capital replacement	1,815,515	1,815,515
	<u>26,043,966</u>	<u>26,205,153</u>
Land, buildings and equipment, net	496,979,998	544,634,696
Right-of-use-assets – operating leases	37,927	62,019
Other assets	116,574	—
Total assets	<u>\$ 555,735,538</u>	<u>601,969,946</u>
Liabilities and Net Assets		
Liabilities:		
Accrued interest payable	\$ 3,908,515	4,292,533
Construction and other costs payable	612,627	1,313,563
Line of credit	9,938,391	12,126,213
Capital lease payable	6,824,238	7,165,152
Lease liability – operating leases	36,802	62,019
Long term debt, net	273,501,109	299,815,732
Unearned grant funds	—	14,500
Deferred rent	5,098,935	6,576,284
Total liabilities	<u>299,920,617</u>	<u>331,365,996</u>
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	255,710,332	270,499,361
Net assets with donor restrictions	104,589	104,589
Total net assets	<u>255,814,921</u>	<u>270,603,950</u>
Total liabilities and net assets	<u>\$ 555,735,538</u>	<u>601,969,946</u>

See accompanying independent auditors report.

FULLER ROAD MANAGEMENT CORPORATION

Statements of Activities

Years ended June 30, 2022 and 2021

	2022			2021		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Support and revenue:						
Rental income and other support	\$ 63,699,432	—	63,699,432	63,810,263	—	63,810,263
Grants and other contributions	—	14,500	14,500	—	10,377,107	10,377,107
Interest and dividends	3,806	—	3,806	6,408	—	6,408
Net assets released from restrictions:						
Satisfaction of program designation restrictions	14,500	(14,500)	—	10,377,107	(10,377,107)	—
Total support and revenue	63,717,738	—	63,717,738	74,193,778	—	74,193,778
Expenses and equity transfers:						
Contracted services	1,945,038	—	1,945,038	1,622,322	—	1,622,322
Repairs, maintenance and PILOT	2,443,032	—	2,443,032	2,005,639	—	2,005,639
Utilities	4,065,915	—	4,065,915	2,489,304	—	2,489,304
Insurance and other	701,106	—	701,106	688,888	—	688,888
Professional fees	256,762	—	256,762	404,348	—	404,348
Interest expense	13,410,277	—	13,410,277	14,539,184	—	14,539,184
Depreciation and amortization	46,516,977	—	46,516,977	47,588,137	—	47,588,137
Economic development project costs, net	2,537,341	—	2,537,341	—	—	—
Transfers to The Research Foundation for The State University of New York	14,500	—	14,500	10,398,309	—	10,398,309
Transfers to member	6,615,819	—	6,615,819	4,450,000	—	4,450,000
Total expenses and transfers	78,506,767	—	78,506,767	84,186,131	—	84,186,131
Decrease in net assets	(14,789,029)	—	(14,789,029)	(9,992,353)	—	(9,992,353)
Net assets, beginning of year	270,499,361	104,589	270,603,950	280,491,714	104,589	280,596,303
Net assets, end of year	\$ 255,710,332	104,589	255,814,921	270,499,361	104,589	270,603,950

See accompanying independent auditors report.

FULLER ROAD MANAGEMENT CORPORATION

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities:		
Change in net assets	\$ (14,789,029)	(9,992,353)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	46,516,977	47,588,137
Economic development cost	2,537,341	—
Amortization of deferred financing cost	805,377	805,378
Grants and contributions restricted for capital projects	—	(10,377,107)
Cash transfers to The Research Foundation for The State University of New York	14,500	10,398,309
Transfers to member	6,615,819	4,450,000
Changes in assets:		
Rent and other receivables	131,964	296,699
Due from member	818,542	52,497
Prepaid expenses	(247)	118,567
Right-of-use-assets - operating leases	24,092	—
Other assets	(116,574)	—
Changes in liabilities:		
Construction and other costs payable	20,237	(53,897)
Deferred rent and deferred revenue	(1,477,349)	(1,573,783)
Unearned grant funds	(14,500)	—
Lease liability - operating leases	(25,217)	—
Accrued interest payable	(384,018)	1,457,030
Net cash provided by operating activities	<u>40,677,915</u>	<u>43,169,477</u>
Investing activities:		
Transfers to member	(6,615,819)	(4,450,000)
Construction and equipment additions and project development costs	<u>(2,120,794)</u>	<u>(2,609,568)</u>
Net cash used in investing activities	<u>(8,736,613)</u>	<u>(7,059,568)</u>
Financing activities:		
Principal payment on long-term debt	(27,120,000)	(14,895,000)
Payment on line of credit	(2,187,822)	(2,809,454)
Payments on capital lease	(340,914)	(322,069)
Grants and contributions restricted for capital projects	—	10,000,000
Cash transfers to The Research Foundation for The State University of New York	<u>(14,500)</u>	<u>(10,398,309)</u>
Net cash used in financing activities	<u>(29,663,236)</u>	<u>(18,424,832)</u>
Net increase in cash and cash equivalents	2,278,066	17,685,077
Cash and cash equivalents, beginning of year	<u>48,682,729</u>	<u>30,997,652</u>
Cash and cash equivalents, end of year	<u>\$ 50,960,795</u>	<u>48,682,729</u>
Supplemental disclosure of cash flow information:		
Assets limited as to use included in cash and cash equivalents	\$ 26,043,966	26,205,153
Cash paid for interest	12,988,918	13,349,909

See accompanying independent auditors report.

FORT SCHUYLER MANAGEMENT CORPORATION

Balance Sheets

June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 3,285,874	1,419,439
Rent and related receivables	2,848,192	3,583,506
Due from member	141,134	122,898
	<u>6,275,200</u>	<u>5,125,843</u>
Assets limited as to use:		
By debt agreements	912,754	732,456
Under grant agreements	60,864,940	66,591,662
	<u>61,777,694</u>	<u>67,324,118</u>
Land, buildings and equipment, net	23,718,808	29,067,486
Right-of-use-assets – operating leases	17,842,913	19,365,184
Interest rate swap	7,173	—
	<u>109,621,788</u>	<u>120,882,631</u>
Total assets	\$ 109,621,788	120,882,631
Liabilities and Net Assets		
Liabilities:		
Accrued interest payable	\$ 22,363	44,351
Construction and other costs payable	4,255,686	5,130,620
Lease liability – operating leases	18,594,302	19,603,651
Long-term debt, net	8,856,812	17,932,593
Unearned grant funds	48,804,500	52,975,888
Deferred rent	447,500	1,000,958
Interest rate swap	—	189,491
	<u>80,981,163</u>	<u>96,877,552</u>
Total liabilities	80,981,163	96,877,552
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	28,640,625	24,005,079
	<u>28,640,625</u>	<u>24,005,079</u>
Total net assets	28,640,625	24,005,079
Total liabilities and net assets	\$ 109,621,788	120,882,631

See accompanying independent auditors report.

FORT SCHUYLER MANAGEMENT CORPORATION

Statements of Activities

Years ended June 30, 2021 and 2020

	2022			2021		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Support and revenue:						
Rental income and other support	\$ 6,569,109	—	6,569,109	8,622,470	—	8,622,470
Grant and other contributions	12,449,316	4,171,389	16,620,705	12,550,000	10,205,740	22,755,740
Net assets released from restrictions:						
Satisfaction of program designation restrictions	77,088	(77,088)	—	323,922	(323,922)	—
Satisfaction of construction of facilities restrictions	4,094,301	(4,094,301)	—	9,881,818	(9,881,818)	—
Total support and revenue	<u>23,189,814</u>	<u>—</u>	<u>23,189,814</u>	<u>31,378,210</u>	<u>—</u>	<u>31,378,210</u>
Expenses:						
Contracted services	1,341,300	—	1,341,300	1,208,944	—	1,208,944
Repairs, maintenance and PILOT	1,906,707	—	1,906,707	2,075,003	—	2,075,003
Utilities	86,493	—	86,493	79,716	—	79,716
Rent	2,711,927	—	2,711,927	2,868,045	—	2,868,045
Insurance and other	2,255,477	—	2,255,477	2,122,274	—	2,122,274
Professional fees	380,882	—	380,882	546,043	—	546,043
Interest	451,768	—	451,768	1,047,414	—	1,047,414
Depreciation and amortization	5,444,989	—	5,444,989	9,279,049	—	9,279,049
Economic development project costs, net	4,094,301	—	4,094,301	9,881,818	—	9,881,818
Transfers to the Research Foundation for The State University of New York	77,088	—	77,088	323,922	—	323,922
Total expenses and transfers	<u>18,750,932</u>	<u>—</u>	<u>18,750,932</u>	<u>29,432,228</u>	<u>—</u>	<u>29,432,228</u>
Increase in net assets, before other changes in net assets	4,438,882	—	4,438,882	1,945,982	—	1,945,982
Other changes in net assets:						
Change in fair value of interest rate swap	196,664	—	196,664	305,338	—	305,338
Increase in net assets	4,635,546	—	4,635,546	2,251,320	—	2,251,320
Net assets, beginning of year	24,005,079	—	24,005,079	21,753,759	—	21,753,759
Net assets, end of year	<u>\$ 28,640,625</u>	<u>—</u>	<u>28,640,625</u>	<u>24,005,079</u>	<u>—</u>	<u>24,005,079</u>

See accompanying independent auditors report.

FORT SCHUYLER MANAGEMENT CORPORATION

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities:		
Change in net assets	\$ 4,635,546	2,251,320
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,444,989	9,279,049
Non-cash rent expense	512,922	238,470
Amortization of deferred financing cost	116,910	416,434
Economic development cost	4,094,301	9,881,818
Change in value of interest rate swap	(196,664)	(305,337)
Transfers to the Research Foundation for The State University of New York	77,088	323,922
Change in assets:		
Rent and other receivables	735,314	(508,268)
Due from member	(18,236)	125,979
Prepaid expenses	—	144,915
Change in liabilities:		
Construction and other expenses payable	(1,334,854)	83,672
Deferred rent and deferred revenue	(553,458)	168,433
Unearned grant funds	(4,171,388)	(10,205,740)
Accrued interest payable	(21,988)	(20,379)
Net cash provided by operating activities	<u>9,320,482</u>	<u>11,874,288</u>
Investing activities:		
Construction and equipment additions and project development costs	<u>(3,730,699)</u>	<u>(17,841,906)</u>
Net cash used in investing activities	<u>(3,730,699)</u>	<u>(17,841,906)</u>
Financing activities:		
Payments on amended loan agreement	(8,808,000)	(8,518,550)
Payments on supplemental loan note	(77,402)	(77,402)
Payments on loan agreement	(307,288)	(1,806,354)
Transfers to the Research Foundation for The State University of New York	<u>(77,088)</u>	<u>(323,922)</u>
Net cash used in financing activities	<u>(9,269,778)</u>	<u>(10,726,228)</u>
Net decrease in cash and cash equivalents	(3,679,995)	(16,693,846)
Cash and cash equivalents, beginning of year	<u>68,743,563</u>	<u>85,437,409</u>
Cash and cash equivalents, end of year	<u>\$ 65,063,568</u>	<u>68,743,563</u>
Supplemental disclosure of cash flow information:		
Assets limited as to use included in cash and cash equivalents	\$ 61,777,694	67,324,118
Cash paid for interest	341,847	638,358

See accompanying independent auditors report.

FORT SCHUYLER MANAGEMENT CORPORATION

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

Year ended June 30, 2022

	<u>Quad C</u>	<u>Key Center</u>	<u>All other</u>	<u>Total</u>
Support and revenue:				
Rental income and other support	\$ 162,090	2,197,521	4,209,498	6,569,109
Grants and other contributions	12,562,654		4,058,051	16,620,705
Total support and revenue	<u>12,724,744</u>	<u>2,197,521</u>	<u>8,267,549</u>	<u>23,189,814</u>
Expenses:				
Contracted services	—	58,236	1,283,064	1,341,300
Repairs, maintenance and PILOT	—	1,027,156	879,553	1,906,709
Utilities	11,190	25,761	49,540	86,491
Rent	—	—	2,711,927	2,711,927
Insurance and other	255,230	32,232	1,968,015	2,255,477
Professional fees	20,204	18,761	341,917	380,882
Interest expense	395,254	27,495	29,019	451,768
Depreciation and amortization	—	3,899,452	1,545,537	5,444,989
Economic development project costs, net	3,064,630	—	1,029,671	4,094,301
Transfers to the Research Foundation for The State University of New York	77,088	—	—	77,088
Total expenses and transfers	<u>3,823,596</u>	<u>5,089,093</u>	<u>9,838,243</u>	<u>18,750,932</u>
Increase (decrease) in net assets, before other changes in net assets	<u>8,901,148</u>	<u>(2,891,572)</u>	<u>(1,570,694)</u>	<u>4,438,882</u>
Other changes in net assets:				
Change in fair value of interest rate swap	196,664	—	—	196,664
	<u>196,664</u>	<u>—</u>	<u>—</u>	<u>196,664</u>
Increase (decrease) in net assets	<u>\$ 9,097,812</u>	<u>(2,891,572)</u>	<u>(1,570,694)</u>	<u>4,635,546</u>

See accompanying independent auditors report.

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

Balance Sheets

June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 1,210,031	99,965
Due from member	140,000	—
Prepaid expenses	99,500	—
Total assets	<u>\$ 1,449,531</u>	<u>99,965</u>
Liabilities and Net Assets		
Liabilities:		
Construction and other costs payable	14,567	—
Total liabilities	<u>14,567</u>	<u>—</u>
Net assets:		
Net assets without donor restrictions	\$ 1,434,964	99,965
Total net assets	<u>1,434,964</u>	<u>99,965</u>
Total liabilities and net assets	<u>\$ 1,449,531</u>	<u>99,965</u>

See accompanying independent auditors report.

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

Statements of Activities

Years ended June 30, 2022 and 2021

	2022			2021		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Support and revenue:						
Grant and other contributions	\$ 6,615,819	—	6,615,819	4,450,000	—	4,450,000
Total support and revenue	<u>6,615,819</u>	<u>—</u>	<u>6,615,819</u>	<u>4,450,000</u>	<u>—</u>	<u>4,450,000</u>
Expenses:						
Contracted services	2,078,133	—	2,078,133	2,800,000	—	2,800,000
Insurance and other	166,307	—	166,307	35	—	35
Professional services	8,000	—	8,000	—	—	—
Transfer to member	3,028,380	—	3,028,380	1,550,000	—	1,550,000
Total expenses and transfers	<u>5,280,820</u>	<u>—</u>	<u>5,280,820</u>	<u>4,350,035</u>	<u>—</u>	<u>4,350,035</u>
Increase in net assets, before other changes in net assets	<u>1,334,999</u>	<u>—</u>	<u>1,334,999</u>	<u>99,965</u>	<u>—</u>	<u>99,965</u>
Increase in net assets	1,334,999	—	1,334,999	99,965	—	99,965
Net assets, beginning of year	<u>99,965</u>	<u>—</u>	<u>99,965</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets, end of year	<u>\$ 1,434,964</u>	<u>—</u>	<u>1,434,964</u>	<u>99,965</u>	<u>—</u>	<u>99,965</u>

See accompanying independent auditors report.

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

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities:		
Change in net assets	\$ 1,334,999	99,965
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets:		
Due from member	(140,000)	—
Prepaid expenses	(99,500)	—
Changes in liabilities:		
Construction and other costs payable	14,567	—
Net cash provided by operating activities	<u>1,110,066</u>	<u>99,965</u>
Net increase in cash and cash equivalents	1,110,066	99,965
Cash and cash equivalents, beginning of year	<u>99,965</u>	—
Cash and cash equivalents, end of year	<u>\$ 1,210,031</u>	<u>99,965</u>

See accompanying independent auditors report.