NEW YORK STATE URBAN DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
And Independent Auditors' Report

March 31, 2022 and 2021

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES

Table of Contents

* * * * * *

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
New York State Urban Development
Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the New York State Urban Development Corporation and Subsidiaries (the "Corporation"), a component unit of the State of New York, as of and for the years ended March 31, 2022 and 2021, and the related notes to consolidated financial statements, which collectively comprise the Corporation's basic consolidated financial statements as listed in the table of contents.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of March 31, 2022 and 2021 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Corporation 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.

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 accounting principles generally accepted in the United States of America, 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 Corporation's ability to continue as a going concern for twelve months beyond the consolidated financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and Government Auditing Standards 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 and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 Corporation'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 Corporation'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 audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules on pages 71 through 73 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 15, 2022

This provides our discussion and analysis of New York State Urban Development Corporation and Subsidiaries' ("UDC" or the "Corporation") d/b/a Empire State Development ("ESD"), financial activities for the fiscal years ended March 31, 2022 and 2021. This analysis should be read in conjunction with the Corporation's consolidated fiscal 2022 and 2021 financial statements.

Overview

During fiscal 2022, ESD continued to serve and aide businesses throughout New York State (the "State") that were still dealing with the impact of the COVID-19 pandemic. State programs, including those focused on micro and small businesses in many struggling industries, were created to meet the needs of businesses that remained adversely affected. Under a hybrid organizational structure, utilizing remote methods of communication and modified operations, ESD continued its efforts to foster economic development throughout the State, consistent with its mission to promote a vigorous and growing State economy, encourage business investment and job creation, and support diverse, prosperous local economies across New York State through the efficient use of loans, grants, tax credits, real estate development, marketing and other forms of assistance.

To support the Corporation in carrying out its economic development mission, ESD:

- invests strategically in infrastructure, innovation, place-making and revitalization, tradable sectors and workforce development;
- is transparent and responsive to the needs of diverse communities across the State through the active participation of ten Regional Economic Development Councils ("REDC" or "Regional Council");
- supports the retention and health of existing businesses, the retention of populations, and the development of new businesses and industries that will contribute to the development of the 21st century economy; promotes equality of economic opportunities for minority-and women-owned businesses ("MWBEs");
- provides early-stage support for new ventures, including the research and development of new technologies; and strengthens New York State's innovation-based economy through partnerships with acclaimed universities, promoting entrepreneurialism through the development of incubators and next-generation manufacturing and technology hubs across the State.

In addition, the State Legislature has provided the Corporation with various statutory powers, including the power to issue bonds, offer tax benefits to developers, condemn real property and waive compliance, where appropriate, with certain local codes and laws.

Overview, Continued

During fiscal 2022, the ESD Directors and Chief Executive Officer ("CEO") approved financial assistance for over 356 companies and organizations respectively, through the REDC initiative and other programs. The programs include the Buffalo Regional Innovation Cluster, the New York Works Program, the Empire State Economic Development Fund, the Market NY Program, the Upstate Revitalization Initiative and the Restore NY Communities Initiative, which promote the economic development and health of New York State by facilitating the creation and/or retention of jobs or increased economic activity. During 2022, ESD's $296.9 million investment is expected to leverage an additional $1.07 billion of total investment, resulting in the retention and creation of over 7,800 jobs.

Economic Development Programs and Initiatives

ESD manages a number of programs addressing critical economic development opportunities and the following summarizes several fiscal year 2022 activities:

Regional Economic Development Councils ("REDC's")

To enhance ESD's business outreach and emphasize local priorities, New York's REDC initiative was established in 2011, supported, in part, by funding via the Regional Council Capital Fund as part of the State's fiscal year budget. Since 2011, the Regional Council Capital Fund, which is administered by ESD, has made available over $1.39 billion of capital grant funding for the State's REDC initiative, which continues to help drive regional and local economic development across New York State in cooperation with ten Regional Councils. Regional Council Capital Funds are allocated among the State's ten regions, each represented by a Regional Council, through a competitive process that includes each Regional Council's development and implementation of a five-year regional strategic plan that sets out a comprehensive vision for economic development and specific strategies to implement that vision. ESD's role in the State's REDC initiative is to administer the Regional Council Capital Fund and other annual funding that is awarded through a competitive Consolidated Funding Application review process.

Buffalo Regional Innovation Cluster

The Buffalo Regional Innovation Cluster, known as the Buffalo Billion, was established in fiscal 2013 with a $1 billion investment in Western New York ("WNY") to attract private sector investment and promote the creation of sustainable jobs. The program is focused on three sector strategies (advanced manufacturing, health and life sciences and tourism) and three core strategies (entrepreneurship, workforce and smart growth). Projects were developed to be catalytic and transformative, leveraging the region's assets and moving the needle for WNY. In fiscal 2018, an additional $400 million was used to launch a second phase to build on the success of initiatives that had already made dramatic improvements to the region's quality of life, creating new economic opportunities for all Western New Yorkers. Phase II investments are focused around four central strategic areas: (1) implementing revitalization and smart growth efforts; (2) improving workforce

Economic Development Programs and Initiatives, Continued

Buffalo Regional Innovation Cluster, Continued

development and job training; (3) growing the region's target industry sectors of advanced manufacturing, tourism, agriculture, energy, and health and life sciences; and (4) fostering a culture of entrepreneurship and innovation. Among the current projects are the East Side Corridor Economic Development Fund, including major projects like restoring the former Central Terminal and Broadway Market; further development of Northland Corridor around the now-open Northland Workforce Training Center; Niagara Falls Strategic Land Acquisition Program; Workforce Development Challenge; The Buffalo Blueway; 43 North; Buffalo Manufacturing Works; NFTA Light Rail Extension Environmental Impact Statement; and Better Buffalo Fund.

New NY Broadband Program

During fiscal 2022, the New NY $500 million Broadband Program (the "Program") focused on implementation of its statewide portfolio of broadband deployment projects. Across its three funding rounds to date, the Program has supported over 120 individual projects, with 32 different partner broadband providers. These projects address over 250,000 unserved and underserved locations across the State and leverage over $728 million in public/private funding. Over 90 percent of the Program's funding was awarded to projects that address unserved areas of the State, connecting these communities for the first time. Between projects supported by the Program and additional State-secured broadband commitments, New York State has secured over $1 billion in public/private investment. Certain projects are also leveraging additional support from the federal Connect America Fund.

Small Business Programs, Including COVID-19 Pandemic Assistance

Over the past ten years, New York State has helped small businesses secure over $2.4 billion in financial assistance, and provided mentorship, training, and technical assistance to tens of thousands of firms. Much of that activity is conducted through programs administered by ESD. Support to small businesses continued to be successfully implemented through existing programs by providing $300.8 million in loans through the Small Business Revolving Loan Fund; dispensing $3.2 million in loans through the Linked Deposit Program; issuing $7.0 million in Surety bond capacity through the Surety Bond Assistance Program; providing over $5.8 million in loans through the Bridge to Success Loan Program; and issuing over $0.3 million in loans through New York State Trust Funds.

Economic Development Programs and Initiatives, Continued

Small Business Program, Including COVID-19 Pandemic Assistance, Continued

During fiscal 2022, COVID-19 continued to affect the State's economy, especially small businesses. In response, a new $800 million COVID-19 Small Business Recovery Grant Program (the "Program") was created through the State budget. The mission of the Program is to support small businesses that typically have the least access to resources. Grant awards from the Program allow small businesses across the State to cover costs such as payroll, rent or mortgage payments, personal protection equipment ("PPE") expenses, utility bills, and any costs associated with compliance with COVID-19 health and safety protocols. The Program provided for flexible grants of $5,000 to $50,000 and $517 million in grants was awarded to over 29,000 small businesses.

Additional funding from the Program provided support to 68 technical assistance providers consisting of 21 Entrepreneurship Assistance Centers ("EACs"), two Small Business Development Centers and 25 local community development organizations, chambers of commerce and other technical assistance organizations, that assisted over 19,000 businesses, conducted over 800 webinars and helped nearly 6,000 small businesses with submitting grant applications.

A $100 million New York Forward Loan Fund program continued to provide a five-year working capital loan fund with 2%-3% interest rates to small businesses, non-profits, and small residential landlords by leveraging $10 million of the State's loan loss reserves. To date, the Program has awarded $96.2 million through more than 1,700 loans.

ESD provided additional assistance through a $2.3 million Community Development Financial Institutions ("CDFIs") Technical Assistance Grant Program with grants to 23 CDFIs. The network secured over $97.3 million in financial resources for over 29,000 small businesses and Minority-and-Women-owned Business Enterprises ("MWBEs"). $15.0 million of Paycheck Protection Program ("PPP") loan capital was provided to four CDFI lenders to offer PPP loans to small businesses to support retention of businesses and jobs. This network secured over $9.1 million in lending to 458 small businesses and MWBEs.

In addition to the successful COVID-19 loan programs, ESD continued to assist entrepreneurs through the EACs, which provide vital courses and classes in how to start and run a business. The EACs assisted over 2,000 clients in launching new businesses and expanding existing businesses.

ESD also continued to provide counseling to small businesses with Business Mentor NY, the State's first one-on-one pro bono mentoring program that helps small businesses overcome challenges and spur growth. Since the program's inception, over 12,400 mentors and entrepreneurs have enrolled and over 5,800 engagements have been initiated.

Economic Development Programs and Initiatives, Continued

NYS Innovation Venture Capital Fund

In addition, ESD continues to manage the NY Venture investment funds, including the $100 million NYS Innovation Venture Capital Fund ("NYSIVCF" or the "Fund"). The Fund invests in eligible seed and early stage small businesses located, or in writing agree to be located, in New York State that (i) have the potential to generate additional economic activity in the State and (ii) are working in emerging technology fields or have the potential to achieve technological advances, innovation, transformation or development. Venture-backed companies are the economic engines responsible for most net new job growth nationally. During fiscal 2022, the Fund made new and follow-on direct equity investments totaling $16.4 million in 22 companies.

Division of Science, Technology and Innovation

ESD's Division of Science, Technology and Innovation ("NYSTAR"), primarily uses federal grants to increase the programs and services it offers. It supports over 70 centers that assist companies to commercialize technologies or access and utilize Research & Development capabilities of universities and the private sector. During fiscal 2022, NYSTAR won two federal grants: $1 million from the Economic Development Administration that will be used to complete four studies which are related to advanced industry clusters, supply chain analysis, top ten emerging technology and semi-conductor capacities; and $3.2 million from the U.S. Department of Education, as a partner with the NYS Department of Labor, that will be used to train entrepreneurism to unemployed and underemployed individuals.

Marketing, Including COVID-19 Pandemic Assistance

In addition to the programs above, ESD continues to administer and manage a robust marketing program to help drive the State economy. The program has multiple components, broadly focused in two areas: (1) increasing the State's tourism through consumer and trade programs that heighten the visibility of New York's world class tourism attractions as ideal vacation destinations; and (2) attracting companies looking to expand, move or begin their operations in New York. Marketing activities include the development and placement of broadcast, print and out of home advertising, digital marketing, including both social media and paid search, experiential marketing and a presence at select trade shows and events. Monthly marketing effectiveness research and media analytics are conducted to ensure ESD is reaching its goals in website visits, perceptual changes and, ultimately, job creation and economic impact. After a recalibration of overall marketing activities in fiscal 2021 to focus primarily on statewide COVID relief efforts, fiscal 2022 saw a return to consumer facing support to help fuel the recovery of the NYS Tourism economy. These efforts included statewide tourism promotion, as well as specific efforts dedicated to New York City. Business Attraction marketing resources continued to be repurposed and focused on statewide COVID-19 related business recovery. These efforts included promotion of an $800 million COVID-19 Small Business Recovery Grant Program, as well as support for the "Reimagine, Rebuild, Renew" statewide COVID-19 recovery campaign.

Economic Development Tax Incentives

Excelsior Jobs Program

ESD administers the Excelsior Jobs Program that provides job creation and investment incentives to firms in certain targeted industries, ranging from biotechnology to manufacturing. Businesses in these industries that create and maintain jobs or make significant financial investments in New York State are eligible to apply for up to four tax credits through the New York State Department of Taxation and Finance.

New York State Film Tax Credit

ESD administers the New York State Film Tax Credit Program which is designed to increase the film production and post-production industry presence in the State and to provide overall economic benefits to New York. Annual program tax credits totaling $420 million, which do not flow through ESD, can be allocated and used to encourage companies to produce film and television projects in the State and help create and maintain film industry jobs.

Empire State Musical and Theatrical Production Tax Credit Program

ESD administers the Empire State Musical and Theatrical Production Tax Credit Program which provides incentives for qualified production companies to conduct technical rehearsals and other pre-tour activities and perform shows in qualified regional theaters throughout Upstate New York. The program encourages the use of these Upstate entertainment venues, making them competitive with other venues located in Northeastern states that offer similar tax incentives to musical and theatrical productions. Program credits of $8 million per year can be allocated and used to encourage companies to perform and conduct technical rehearsals and other pre-tour activities in Upstate New York, to help stimulate the Upstate economy. Qualified companies may be eligible to receive a fully refundable credit of 25 percent of certain production and transportation expenditures directly related to the technical period at a qualified facility in Upstate New York.

New York Restaurant Return-To-Work Tax Credit Program

ESD administers the New York Restaurant Return-To-Work Tax Credit Program which provides an incentive to COVID-19-impacted restaurant businesses to bring restaurant staff back-to-work and to increase hiring. Businesses are eligible for a tax credit of $5,000 per each net new employee hired at its qualifying restaurant location(s) up to a maximum of $50,000 per business. $35 million is available for allocation to eligible businesses heavily impacted by COVID-19 with a location(s) in New York City or outside of New York City in certain areas of Chemung, Erie, Monroe, Onondaga, Orange, Rockland and Westchester Counties.

Subsidiaries and Economic Development Projects

In addition to assisting businesses, the Corporation continues to support major development and redevelopment efforts throughout the State through its many subsidiaries and its involvement in significant economic development projects. Some of the more significant projects are presented below:

Moynihan Station Development Corporation

As part of the mission of Moynihan Station Development Corporation ("MSDC"), ESD purchased the James A. Farley Post Office ("Farley") building in fiscal 2007 to facilitate the development of Moynihan Station. The project was completed in two distinct phases. Phase 1 completed a new commuter concourse underneath the Farley Building grand staircase in June 2017. Phase 2 completed the redevelopment of the historic landmarked Farley Building to accommodate relocated Amtrak operations and expanded Long Island Rail Road ("LIRR") passenger amenities within a new Moynihan Train Hall surrounded by more than 1 million square feet of retail and commercial office development.

During fiscal 2022, MSDC continued work toward final completion of the construction required for the planned relocation of Amtrak intercity rail operations from existing Pennsylvania Station into a redeveloped Farley Building. Project milestones completed during the fiscal year include acceptance of both the LIRR and Amtrak fit-outs, substantial completion of the 32nd Street Corridor Connector to 9th Avenue, opening of the Train Hall Food Hall and receipt of the final Code Compliance Certificate.

New York Convention Center Development Corporation

The New York Convention Center Development Corporation ("CCDC") was formed to plan, design, construct, and otherwise develop the Jacob K. Javits Convention Center ("Javits") on the West Side of Manhattan. In April 2016, New York State passed legislation enabling CCDC to develop an expansion of Javits under the design-build delivery method. In May 2016, the CCDC Board of Directors adopted a modified General Project Plan for Javits, permitting the following expansion elements within an expansion footprint bound by 11th and 12th Avenues and West 38th to 40th Streets: a 480,000 square foot on-site truck garage, including twenty-seven (27) new loading docks; 92,000 square feet of new prime exhibition space; 40,000 square feet of new state-of-the-art meeting room space; a 58,000 square foot ball room/special event space accommodating 6,000 people; 113,000 square feet of pre-function space; a roof terrace accommodating 1,500 people for outdoor events; and LEED Silver certification. An important, but separate, component of the expansion is development of a transformer (electrical) building and the relocation of certain utilities.

Subsidiaries and Economic Development Projects, Continued

New York Convention Center Development Corporation, Continued

As part of the funding sources of the expansion, NYCCDC issued $420.2 million in Senior and Subordinated Lien Revenue Bonds Series 2016A and Series 2016B, secured by a NYC Hotel Unit Fee. Funding also included a $1.0 billion New York State budget appropriation and previously issued available NYCCDC bond proceeds.

As of March 2022, expansion construction is substantially complete with the operating permit in place for the combined facility (existing and expanded Javits). This allowed for the demolition of the wall separating the two facilities and the hosting of events in the expanded facility. Transformer building construction, inclusive of stand-by generator capacity, is complete and requisite operating permits have been obtained.

Harlem Community Development Corporation

The mission of Harlem Community Development Corporation ("HCDC") is to formulate and implement a comprehensive program to revitalize the Harlem community. HCDC has three primary departments, Business Services, Community Development and the Weatherization Assistance Program ("WAP"), and each has an area of expertise that contributes to the mission. Business services and economic development continues to be HCDC's primary focus, complementing ESD's efforts in business attraction and retention, entrepreneurial assistance, New York State MWBE Certification, marketing and promoting of tourism, arts, culture, dining and entertainment in Upper Manhattan.

HCDC continues to engage the community by providing grants and technical assistance to facilitate the development and marketing of mixed-use facilities and community development projects. HCDC also supports various other community initiatives, programs and events, workforce development programs and initiatives, provides one-on-one U.S. Department of Housing and Urban Development ("HUD") certified housing counseling services, and co-sponsors home buyer education and financial literacy workshops and seminars.

HCDC works closely with ESD staff, the Upper Manhattan Empowerment Zone, local Community Development Financial Institutions, Entrepreneurship Assistance Centers, Business Improvement Districts, merchant associations and chambers of commerce to coordinate economic development initiatives and opportunities including marketing, business development, small business lending and technical assistance.

Subsidiaries and Economic Development Projects, Continued

Harlem Community Development Corporation, Continued

Through its WAP Program, HCDC continues to maximize the benefits available to promote the health, safety and well-being of Upper Manhattan-based low-income residents of multi-family rental and co-operative buildings. WAP is funded by allocations from the U.S. Departments of Energy ("DOE") and Health and Human Services ("HHS") and is administered through the New York State Homes and Community Renewal ("HCR"). It improves the quality of life of Harlem residents and plays an important role in the preservation of hundreds of low-income housing units annually by improving energy efficiency. WAP is actively seeking new sources of revenue (federal, state, city, utilities, foundations and private) to sustain its effectiveness in the community. In addition, WAP is looking to include more sustainable energy initiatives within its portfolio.

Lower Manhattan Development Corporation

New York State designated ESD as the lead agency to assist businesses affected by the events of September 11, 2001. HUD gave ESD the ability to draw federal grant funds of up to $700.0 million to fund these efforts. In November 2001, the ESD Board of Directors authorized the creation of the Lower Manhattan Development Corporation ("LMDC") to assist in the economic recovery and revitalization of lower Manhattan following the events of September 11, 2001. HUD provided LMDC the authority to draw up to $2.8 billion of federal grants to fund these efforts. As of March 31, 2022, more than $3.4 billion of the total $3.5 billion of HUD funding has been disbursed by both ESD and its subsidiary, LMDC, to qualified businesses and individuals.

Atlantic Yards/Pacific Park Brooklyn Project

ESD continues to be actively involved in the Atlantic Yards/Pacific Park Brooklyn Project, which is the redevelopment of 22 acres of underutilized land in downtown Brooklyn. The general project plan that was adopted in July 2006 and modified in June 2009, includes the Barclays Center, transit and infrastructure improvements, an upgraded Long Island Rail Road ("LIRR") train yard, 16 residential and commercial towers, and eight acres of open space.

The residential development includes an affordable housing component. Six residential buildings are open and two more are under construction with 43% as affordable units. Publicly accessible open space is active and commercial and retail tenants are in place.

The Atlantic Yards Community Development Corporation continues to facilitate progress of the project. Construction activities at the site are monitored in coordination with an owner's representative. A mitigation monitor ensures the Developer's compliance with the project's Memorandum of Environmental Commitments.

Subsidiaries and Economic Development Projects, Continued

Erie Canal Harbor Development Corporation

Erie Canal Harbor Development Corporation ("ECHDC") is guided by its vision to revitalize Western New York's waterfront and restore economic growth to Buffalo based on the region's legacy of pride, urban significance and natural beauty. ECHDC's strategic investment in infrastructure and programming has resulted in unprecedented private investment in Buffalo's waterfront. Since its inception, ECHDC has invested over $117 million of public funding into the region's waterfront with a private investment return of over $500 million.

During fiscal 2022, the following occurred: (1) Events and activities continued at Canalside despite a drop in the number of visitors due to COVID-19; (2) an historic Hershell-Spillman Carousel was opened to the public; (3) Construction of a mixed-use development continued at Heritage Point, the remaining South Aud Block parcels; and (4) improvements and construction continued at the Outer Harbor focusing on several derelict and former industrial parcels, including the First Buffalo River Marina, the land between Wilkerson Point and Bell Slip and Terminal B.

USA Niagara Development Corporation

Another commitment to Western New York is the USA Niagara Development Corporation ("USAN") whose mission is to support and promote economic development initiatives in downtown Niagara Falls by leveraging private investment through targeted public investments in start-up capital, key infrastructure improvements, and organizational assistance. The overarching principle of USAN's development strategy is simultaneously working on implementation of different types of projects with various development cycles, from smaller, short-term efforts contributing to present activity to setting the stage for larger future projects. This approach has proven to be successful as USAN has completed or substantially completed portions of approximately 45 projects and is actively working on ten other projects in various stages of development, totaling approximately $470 million.

These efforts range from key downtown streetscape infrastructure projects to improve the setting for downtown investment to middle-range projects to reconnect downtown to its waterfront and to begin sensible infill development on shovel-ready downtown sites. Over the last several years, USAN has participated in seven hotel projects, adding approximately 600 new rooms and renovating 357 existing rooms. Proposed future projects include the restoration of the historic Hotel Niagara with an estimated $42 million cost and the construction of a $20 million, 120 room Cambria Hotel, along with three two-unit residential townhouse properties marketed for vacation rental use. USAN is also working with NYS Parks on new outdoor recreation programming to capitalize on the world-class outdoor recreation assets along the Niagara Falls' waterfront.

Subsidiaries and Economic Development Projects, Continued

USA Niagara Development Corporation, Continued

During fiscal 2022, USAN continued efforts on the following projects: (1) the adaptive reuse of the former Rainbow Center Mall to establish greater public access and walkability, create commercial opportunities and modernize parking resources to support businesses; (2) the Strategic Land Acquisition Program to establish a fund to help "free up" parcels when a strategic opportunity avails itself for improvement and prudent development; (3) the continued management and operation of the Niagara Falls Convention Center and Old Falls Street through a new management services company, Niagara Tourism and Convention Center dba Destination Niagara USA.

Other Economic Development Projects

Other examples of ESD's economic development include Wolfspeed-Marcy Nanocenter (Nano Utica Project), IBM AI Hardware Center, Applied Materials and Regeneron Pharmaceuticals.

The following is a summary of the Corporation's financial information as of and for the years ended March 31, 2022, 2021 and 2020:

SUMMARY OF CONSOLIDATED STATEMENTS OF NET POSITION

	2022	2021	2020
		(In thousands)	
Assets			
Current assets:			
Cash, equivalents and temporary investments	$ 216,095	216,390	224,802
Other current assets	7,675,296	4,747,062	2,238,870
Total current assets	7,891,391	4,963,452	2,463,672
Non-current assets:			
Investment securities restricted or designated for state revenue bonds	-	49	834
Loans and leases receivable	85,992	104,318	90,709
Due from State of New York	13,448,876	15,531,729	13,725,980
Due from New York Job Development Authority	27,400	27,407	27,298
Capital assets, net	5,038,107	4,977,009	4,265,435
Other non-current assets	169,221	178,801	180,917
Total non-current assets	18,769,596	20,819,313	18,291,173
Total assets	26,660,987	25,782,765	20,754,845
Deferred outflows of resources	42,868	89,420	103,793
Liabilities			
Current liabilities:			
Bonds and notes payable	1,420,043	1,255,701	1,354,330
Other current liabilities	383,512	442,703	452,069
Total current liabilities	1,803,555	1,698,404	1,806,399
Non-current liabilities:			
Bonds and notes payable	20,052,835	19,183,780	14,253,523
Other non-current liabilities	308,331	287,254	315,228
Total non-current liabilities	20,361,166	19,471,034	14,568,751
Total liabilities	22,164,721	21,169,438	16,375,150
Deferred inflows of resources	285,608	307,242	287,805
Minority interest	449,616	478,761	430,349
Net position			
Restricted:			
Appropriations repayable under prescribed conditions	197,554	197,554	197,554
Other restricted for specific purposes	244,287	213,389	220,660
Total restricted	441,841	410,943	418,214
Net investment in capital assets	3,362,069	3,505,801	3,347,120
Total net position	$ 3,803,910	3,916,744	3,765,334

SUMMARY OF CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	2022	2021	2020
		(In thousands)	
Operating revenue:			
Interest and finance income from:			
Residential projects	$ 6,071	3,005	5,283
Nonresidential projects	11,304	13,205	16,498
Interest on state revenue bonds	-	17	1,288
Hotel tax revenue	22,191	22,530	53,168
Reimbursed grants	121,227	172,475	198,173
Economic development grants	1,248,599	530,777	943,229
State appropriation for programs	326	188,105	407,872
Other revenue	114,432	44,485	103,889
Total operating revenue	1,524,150	974,599	1,729,400
Operating expenses:			
Interest on state revenue bonds	-	17	1,288
Interest on subsidiary project bonds	44,046	27,985	28,517
Reimbursed grants	38,194	35,677	60,848
Economic development grants	1,255,296	535,656	950,566
General and administrative	161,549	95,810	130,383
Subsidiary program and administrative	34,474	18,819	13,047
Pollution remediation	175	-	-
Provision for loss on loans and leases receivable and investments in other assets	883	763	2,681
Depreciation	148,744	56,124	37,847
Total operating expenses	1,683,361	770,851	1,225,177
Minority interest	29,144	(48,412)	(92,529)
Operating income (loss)	(130,067)	155,336	411,694
Non-operating revenue	832,859	755,731	662,864
Non-operating expenses - interest and other costs on state revenue bonds	815,626	759,657	640,835
Change in net position	(112,834)	151,410	433,723
Net position at beginning of year	3,916,744	3,765,334	3,331,611
Net position at end of year	$ 3,803,910	3,916,744	3,765,334

Liquidity

The Corporation's cash, cash equivalents and temporary investments totaled approximately $216.1 million, $216.4 million and $224.8 million at March 31, 2022, 2021 and 2020, respectively. During fiscal 2022, the $0.3 million decrease was primarily due to decreases in the receipt of payments related to non-residential projects.

During fiscal 2021, the $8.4 million decrease was primarily due to decreases in the receipt of payments related to residential projects, interest income in certain accounts and a change in the fair market value of investments.

Capitalization

As of March 31, 2022, 2021 and 2020, ESD had $19.7 billion, $18.8 billion and $13.0 billion, respectively, in State revenue bonds outstanding. These bonds are issued on behalf of the State to provide the Corporation with funds for economic development activities, State Facilities, housing projects and other State supported financing activities. The State revenue bonds debt service is funded by New York State.

<u>Fiscal Year Ended March 31, 2022</u>

In October 2021, ESD issued $2,403.4 million in State Sales Tax Revenue Bonds: $1,754.6 million Series 2021A (Tax-Exempt) and $648.8 million Series 2021B (Federally Taxable) (the "Series 2021 Bonds"). The Series 2021 Bonds were issued for the purposes of financing Authorized Purposes, including (i) financing or reimbursing all or a portion of the costs of programs and projects within the State, including but not limited to Transportation projects, Education projects, Economic Development projects, State Facilities, Statewide Equipment, Youth Facilities, SAM, IT projects, Environmental projects, Division of Military & Naval Affairs, Division of State Police, Housing, and Correctional Facilities, (ii) refund certain State-supported debt previously issued by the Corporation, including paying the costs of any interest rate exchange agreement terminations relating to such refunded bonds, and (iii) pay certain costs relating to the issuance of the Series 2021 Bonds.

<u>Fiscal Year Ended March 31, 2021</u>

In December 2020, ESD issued $2,086.4 million in State Personal Income Tax Revenue Bonds (General Purpose): $1,607.8 million Series 2020E (Tax-Exempt) and $478.6 million Series 2020F (Federally Taxable) (the "Series 2020EF Bonds"). The Series 2020EF were issued for the purposes of financing Authorized Purposes. Proceeds of the Series 2020EF Bonds were used to (i) finance or reimburse all or a portion of the costs of programs and projects within the State, including capital projects for information technology, economic development initiatives, housing capital programs, correctional facilities, transportation facilities, State police facilities, youth program facilities, State office buildings and other facilities and environmental projects, (ii) refund certain State-supported debt previously issued by an Authorized Issuer, and (iii) pay all or part of the cost of issuance of the Series 2020EF Bonds.

Capitalization, Continued

Fiscal Year Ended March 31, 2021, Continued

In July 2020, ESD issued $2,297.5 million in State Personal Income Tax Revenue Bonds (General Purpose): $2,225.4 million Series 2020C (Tax-Exempt) and $72.1 million Series 2020D (Federally Taxable) (the "Series 2020CD Bonds"). The Series 2020CD were issued for the purposes of financing Authorized Purposes. Proceeds of the Series 2020CD Bonds were used to (i) finance or reimburse all or a portion of the costs of programs and projects within the State, including capital projects for economic development initiatives, correctional facilities, transportation initiatives, State office buildings and other facilities, environmental projects, youth program facilities, housing capital programs, hazardous waste remediation, agriculture, healthcare, parks and recreational facilities, SUNY Grants, and certain projects related to the State contribution to the 2015-19 Metropolitan Transportation Authority (MTA) Capital Plan that were originally financed with MTA Transportation Revenue Bond Anticipation Notes, (ii) refund certain State-supported debt previously issued by an Authorized Issuer, and (iii) pay all or part of the cost of issuance of the Series 2020CD Bonds.

In June 2020, ESD issued $1,780.2 million in State Personal Income Tax Revenue Bonds (General Purpose): $1,288.2 million Series 2020A (Tax-Exempt) and $492.0 million Series 2020B (Federally Taxable) (the "Series 2020AB Bonds"). The Series 2020AB were issued for the purposes of financing Authorized Purposes. Proceeds of the Series 2020AB Bonds were used to finance or reimburse all or a portion of the costs of programs and projects within the State, including (i) capital projects for economic development initiatives, the Jacob K. Javits Convention Center, homeland security projects and facilities, correctional facilities, transportation facilities, State office buildings, environmental projects, information technology projects, youth program facilities, the division of military and naval affairs, the division of State police, and housing capital programs, (ii) SUNY grants, and (iii) pay all or part of the cost of issuance of the Series 2020AB Bonds.

Interest Rate Transactions

The remaining balances of the interest rate swap agreements were $0 million, $345.8 million and $361.9 million at March 31, 2022, 2021, and 2020, respectively. In October 2021, the interest rate swap agreements were terminated with the issuance of the Series 2021 Bonds. During fiscal 2022, the notional amount of the interest rate swap agreements in connection with the Service Contract Revenue Refunding Series 2008A Bonds (Variable Rate Demand Notes) decreased from $122.0 million at March 31, 2021 to $0 million at March 31, 2022. During fiscal 2021, the notional amount of the interest rate swap agreements in connection with the Service Contract Revenue Refunding Series 2008A Bonds (Variable Rate Demand Notes) decreased from $138.0 million at March 31, 2020 to $122.0 million at March 31, 2021

Interest Rate Transactions, Continued

Under the swap agreements, the Corporation effectively converted terms of the underlying debt obligation from a variable rate to a fixed rate. Under the terms of the agreement, the Corporation paid a fixed rate of 3.578% to the related counter-party and received a variable rate equivalent to 65% of the 30-day LIBOR rate. The maturities of the swaps were equal to the maturities of the Series 2008A Bonds and amortization began in 2017 with a final maturity in 2030. Since the Corporation was fully reimbursed by the State for all swap-related payments, no gains or losses were recognized.

The $223.8 million interest rate swap balance at March 31, 2021 supported the State Personal Income Tax Revenue Bonds, Series 2004A-3, with amortization ranging from 2025 to 2033. The Corporation received a variable rate equivalent to 65% of the 30-day LIBOR rate and paid a fixed rate to the related counterparties of 3.49%. Since the Corporation was fully reimbursed by the State for all swap-related payments, no gains or losses were recognized.

The fair value of the swaps is recorded as deferred inflows of resources and the related deferred loss as deferred outflows of resources.

Investment Ratings

As of March 31, 2022, the Corporation's outstanding debt had ratings from among the major rating agencies. Below are some representative issues:

	Underlying Ratings	
Issue	Moody's	Fitch
State Sales Tax Revenue Bonds Series 2019A, 2019B	Aa2	AA+
State Personal Income Tax Revenue Bonds Series 2019A, 2019B	Aa2	AA+
NY Convention Center Development Corporation Senior Lien Revenue Bonds Series 2016A	A2	N/A
NY Convention Center Development Corporation Subordinated Lien Revenue Bonds Series 2016B	Baa2	N/A

Change in Net Position

The change in net position for the year ended March 31, 2022 is $(112.8) million compared with $151.4 million in 2021. In 2022, the $264.2 million decrease is primarily due to a reduction in New York State budget appropriation funding for the expansion of the Javits Center, a decrease in expense reimbursement for the Moynihan Station Development Corporation project ("Moynihan Station") and an increase in interest expense related to the Moynihan Station Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA") loan and CCDC project bonds.

The change in net position for the year ended March 31, 2021 was $151.4 million compared with $433.7 million in 2020. In 2021, the $282.3 million decrease was primarily due to a reduction in New York State budget appropriations for the expansion of the Javits Center and Moynihan Station and Hotel Tax revenue.

Revenue

<u>Fiscal Year Ended March 31, 2022</u>

Operating revenue in the 2022 fiscal year is approximately $1,524.2 million compared with $974.6 million in fiscal year 2021. The $549.6 million increase is primarily due to the following:

- Economic development grants increased by $717.8 million due to an increase in activity within existing grant programs, including the following projects: COVID-19 Small Business Recovery Grant program, Wolfspeed-Marcy Nanocenter (Nano Utica Project), IBM AI Hardware Center, Applied Materials and Regeneron Pharmaceuticals;
- Other revenue increased by approximately $69.9 million mainly due to increases of $53.1 million in funding related to the State's worldwide advertising and marketing promotion campaign, $12.1 million in investment activity through the New York Innovation Venture Capital Fund ("NYIVCF"), $2.2 million in payments in lieu of taxes from the Atlantic Yards/Pacific Park Brooklyn project, $1.7 million related to interim tenant funding for Moynihan Station and $0.8 CCDC bond premium amortization; and
- Interest and finance income from residential projects increased by $3.1 million due to the termination of the prior fiscal year's allowance of lower payments in accordance with modified loan agreements that recognized the economic impact of COVID-19.

Decreases in operating revenue primarily occurred in the following categories:

- State appropriation for programs decreased by $187.8 million mainly due to a decrease of $182.8 million in New York State budget appropriation funding for the expansion of the Javits Center and $5.0 million in loan project-related income as a result of a reduction in required loan loss reserves;
- Reimbursed grants revenue decreased by $51.2 million due to decreases of $50.7 million in expense reimbursement primarily for Moynihan Station, $2.9 million in funding for ECHDC and $1.5 million due to an adjustment in the prior fiscal year net present value of a receivable due from the Port Authority of New York and New Jersey. These were offset by increases of $2.5 million in HUD grant funding to LMDC and $1.4 million in grant income as a result of increased activity in existing programs;

Revenue, Continued

Fiscal Year Ended March 31, 2022, Continued

- Interest and finance income from nonresidential projects decreased by $1.9 million due primarily to a decrease in income from nonresidential leases and in interest rates on certain accounts; and
- Hotel tax revenue decreased by $0.3 million due to the continued impact of COVID-19 on tourism.

Non-operating revenue is approximately $832.8 million in fiscal 2022 compared to $755.7 million in fiscal 2021. The $77.1 million increase is due primarily to an increase of $57.2 million in bond debt service receivable resulting from the issuance in October 2021 of State Sales Tax Revenue Bonds Series 2021A and B and $19.9 million in the change in the fair market value of investments.

Fiscal Year Ended March 31, 2021

Operating revenue in the 2021 fiscal year was approximately $974.6 million compared with $1,729.4 million in fiscal year 2020. The $754.8 million decrease was primarily due to the following:

- Economic development grants decreased by $412.4 million due to a decrease in activity within existing grant programs, including the following projects: Applied Materials, Athenex Dunkirk, NY CREATES, and AIM Photonics, including the Testing and Packaging Center;
- State appropriation for programs decreased by $219.8 million due to a decrease of $225.2 million in New York State budget appropriation funding for the Javits Center expansion and Moynihan Station which was offset by an increase of $5.4 million in loan project-related income as a result of a reduction in the loan loss reserve;
- Other revenue decreased by approximately $59.4 million due to decreases of $24.8 million related to interim tenant funding for Moynihan Station, $32.5 million in funding related to the State's worldwide advertising and marketing promotion campaign, $5.7 million in investment activity through the New York Innovation Venture Capital Fund and $1.6 million in rental income. These were offset by an increase of $5.2 million in payments in lieu of taxes from the Atlantic Yards/Pacific Park Brooklyn project;
- Hotel tax revenue decreased by $30.6 million due to a decrease in tourism activity in New York City related to the COVID-19 pandemic;
- Reimbursed grants revenue decreased by $25.7 million due to decreases of $24.3 million in expense reimbursement primarily for Moynihan Station and the Farley Building, $25.2 million in HUD grant funding to LMDC and ESD as a result of decreased activity in existing programs and $1.2 million related to other projects and subsidiaries. These were offset by increases of $5.0 million in funding for ECHDC and $20.0 million in reimbursement for ESD's fiscal year 2021 program-related administrative costs.
- Interest and finance income from nonresidential projects decreased by $3.3 million due primarily to a decrease in interest rates on certain accounts;
- Interest and finance income from residential projects decreased by $2.3 million due to the allowance of lower payments in accordance with modified loan agreements that recognized the economic impact of the COVID-19 pandemic; and
- Interest on state revenue bonds decreased by approximately $1.3 million mainly due to the repayment and refunding of certain bonds.

Revenue, Continued

Fiscal Year Ended March 31, 2021, Continued

Non-operating revenue was approximately $755.7 million in fiscal 2021 compared to $662.9 million in fiscal 2020. The $92.8 million increase was due primarily to an increase of $131.4 million in bond debt service receivables resulting from the issuance of three new State Personal Income Tax Revenue Bonds offset by a decrease of $38.6 million in investment earnings and change in fair market value.

Expenses

Fiscal Year Ended March 31, 2022

Operating expenses in the fiscal year ended March 31, 2022 are approximately $1,683.4 million compared to $770.9 million in fiscal year 2021. The $912.5 million increase is primarily due to the following:

- Economic development grants increased by $719.6 million due to an increase in activity within existing grant programs, including the following projects: COVID-19 Small Business Recovery Grant program, Wolfspeed-Marcy Nanocenter (Nano Utica Project), IBM AI Hardware Center, Applied Materials and Regeneron Pharmaceuticals;
- General and administrative expenses increased by approximately $65.7 million due primarily to increased activity in the State's marketing and promotion program, NYIVCF, legal and consultant fees and other expenses offset by decreases in payroll and fringe benefits;
- Interest on subsidiary project bonds increased by approximately $16.1 million due to an increase in bond interest expense for the CCDC Revenue Bonds, Series 2015 and Series 2016 related to the implementation of GASB Statement No. 89;
- Subsidiary program and administrative expenses increased by approximately $15.7 million primarily due to interest expense related to the Moynihan Station TIFIA loan and increases in construction costs and development expenses for certain subsidiaries, including ECHDC and HCDC;
- Reimbursed grants expense increased by $2.5 million due to an increase in HUD grant funding to LMDC as a result of increased activity in existing programs;
- Pollution remediation expense increased by approximately $0.2 million due to an increase in remediation activity;
- Provision for recoveries on loans and leases receivable and investment in other assets increased by approximately $0.1 million due primarily to an increase related to loan workouts; and
- Depreciation increased by approximately $92.6 million mainly due to the required reclassification of various capitalized accounts to fixed assets related to the substantial completion of Moynihan Station in the prior fiscal year and substantial completion of the Javits Center expansion in the current fiscal year.

Non-operating expenses are approximately $815.6 million in fiscal 2022 compared to $759.7 million in fiscal 2021. The $55.9 million increase is due primarily to an increase in bond debt service expense resulting from the issuance of State Sales Tax Revenue Bonds Series 2021A and B and costs related to the termination of interest rate swap agreements.

Fiscal Year Ended March 31, 2021

Operating expenses in the fiscal year ended March 31, 2021 were approximately $770.9 million compared to $1,225.2 million in fiscal year 2020. The $454.3 million decrease was primarily due to the following:

- Economic development grants decreased by $414.9 million due to a decrease in activity within existing grant programs, including the following projects: Applied Materials, Athenex Dunkirk, NY CREATES, and AIM Photonics, including the Testing and Packaging Center;
- General and administrative expenses decreased by approximately $34.6 million due primarily to reduced activity in the State's marketing and promotion program and the Innovation Venture Capital Fund offset by increases in payroll and fringe benefits and miscellaneous fee income from grant application and commitment fees and;
- Reimbursed grants expense decreased by $25.2 million due to a decrease in HUD grant funding to LMDC and ESD as a result of decreased activity in existing programs;
- Provision for recoveries on loans and leases receivable and investment in other assets decreased by approximately $1.9 million due primarily to a reduction in loan workouts;
- Interest on state revenue bonds decreased by approximately $1.3 million due to the repayment and refunding of certain bonds; and
- Interest on subsidiary project bonds decreased by approximately $0.5 million due to the scheduled repayment of debt obligations;

Increases in operating expenses primarily occurred in the following categories:

- Subsidiary program and administrative expenses increased by approximately $5.8 million primarily due to the prior year receipt of $7.0 million in termination fees received from the City of New York related to its use of land owned by CCDC offset by decreases in construction costs and development expenses for certain subsidiaries, including USAN and ECHDC; and
- Depreciation increased by approximately $18.3 million mainly due to the required reclassification of various capitalized accounts to fixed assets related to the January 2021 completion of Moynihan Station.

Non-operating expenses were approximately $759.7 million in fiscal 2021 compared to $640.8 million in fiscal 2020. The $118.9 million increase was due primarily to an increase in bond debt service expenses resulting from the issuance of three new State Personal Income Tax Revenue Bonds.

Request for Information

This financial report is designed to provide a general overview of ESD’s finances for all those with an interest in the Corporation’s finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial Officer, New York State Urban Development Corporation d/b/a Empire State Development, 633 Third Avenue, New York, New York 10017.

CONSOLIDATED FINANCIAL STATEMENTS

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Consolidated Statements of Net Position
March 31, 2022 and 2021

	2022	2021
	(In thousands)	
Assets		
Current assets:		
Cash and equivalents	$ 165,481	148,641
Temporary investments	50,614	67,749
	216,095	216,390
Cash and investment securities restricted or designated for:		
State revenue bonds	6,306,577	3,306,285
Economic development	512,624	418,182
Subsidiary and other purposes	835,193	999,421
	7,654,394	4,723,888
Loans and leases receivable:		
Non-residential, principally leases	515	1,970
Economic development loans	560	774
	1,075	2,744
Other current assets	19,827	20,430
Total current assets	7,891,391	4,963,452
Non-current assets:		
Investment securities restricted or designated for state revenue bonds	-	49
Loans and leases receivable:		
Non-residential, principally leases	4,092	4,778
Economic development loans	81,900	99,540
	85,992	104,318
Due from State of New York	13,448,876	15,531,729
Due from New York Job Development Authority	27,400	27,407
Capital assets, net	5,038,107	4,977,009
Other non-current assets	169,221	178,801
Total non-current assets	18,769,596	20,819,313
Total assets	26,660,987	25,782,765
Deferred outflows of resources		
Deferred loss on derivative	-	58,677
Deferred loss on refunding	925	991
Pensions	18,799	15,213
Contributions subsequent to measurement date - pensions	4,473	3,925
Post-employment benefits other than pensions	18,671	10,614
Total deferred outflows of resources	42,868	89,420

(Continued)

See accompanying notes to consolidated financial statements.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Consolidated Statements of Net Position, Continued

	2022	2021
	(In thousands)	
Liabilities		
Current liabilities:		
Bonds and notes payable:		
State revenue bonds	$ 1,321,025	1,160,705
Project revenue bonds - New York Convention Center Development Corporation	17,835	16,525
Other financing	81,183	78,471
	1,420,043	1,255,701
Accounts payable and accrued expenses	245,022	306,715
Interest payable	47,678	47,741
OPEB liability	3,447	3,226
Other current liabilities	87,365	85,021
Total current liabilities	1,803,555	1,698,404
Non-current liabilities:		
Bonds and notes payable:		
State revenue bonds	18,370,645	17,613,685
Project revenue bonds - New York Convention Center Development Corporation	1,075,519	1,085,973
Other non-current financing	606,671	484,122
	20,052,835	19,183,780
Repayable to related governmental entities	598	686
Net pension liability - proportionate share - ERS	94	25,046
OPEB liability	168,801	149,728
Other non-current liabilities	138,838	111,794
Total non-current liabilities	20,361,166	19,471,034
Total liabilities	22,164,721	21,169,438
Commitments and contingencies (note 16)		
Deferred inflows of resources		
Fair market value of derivatives	-	58,677
Grants payable	194,148	180,149
Pensions	27,420	435
Post-employment benefits other than pensions	12,509	11,388
Other	51,531	56,593
Total deferred inflows of resources	285,608	307,242
Minority interest	449,616	478,761
Net position:		
Restricted:		
Appropriations repayable under prescribed conditions	197,554	197,554
Other restricted for specific purposes	244,287	213,389
Total restricted	441,841	410,943
Net investment in capital assets	3,362,069	3,505,801
Total net position	$ 3,803,910	3,916,744

See accompanying notes to consolidated financial statements.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Consolidated Statements of Revenue, Expenses
and Changes in Net Position
Years ended March 31, 2022 and 2021

	2022	2021
	(In thousands)	
Operating revenue:		
Interest and finance income from:		
Residential projects	$ 6,071	3,005
Nonresidential projects	11,304	13,205
Interest on state revenue bonds	-	17
Hotel tax revenue	22,191	22,530
Reimbursed grants	121,227	172,475
Economic development grants	1,248,599	530,777
State appropriation for programs	326	188,105
Other revenue	114,432	44,485
Total operating revenue	1,524,150	974,599
Operating expenses:		
Interest on state revenue bonds	-	17
Interest on subsidiary project bonds	44,046	27,985
Reimbursed grants	38,194	35,677
Economic development grants	1,255,296	535,656
General and administrative	161,549	95,810
Subsidiary program and administrative	34,474	18,819
Pollution remediation	175	-
Provision for loss on loans and leases receivable and investments in other assets	883	763
Depreciation	148,744	56,124
Total operating expenses	1,683,361	770,851
Minority interest	29,144	(48,412)
Operating income (loss)	(130,067)	155,336

(Continued)

See accompanying notes to consolidated financial statements.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Consolidated Statements of Revenue, Expenses
and Changes in Net Position, Continued

	2022	2021
	(In thousands)	
Non-operating revenue:		
State appropriations for interest on state revenue bonds	$ 814,651	757,473
Interest and finance income earned on investment of state revenue bond proceeds	1,702	2,021
Other investment income, including change in fair value	16,506	(3,763)
Total non-operating revenue	832,859	755,731
Non-operating expenses - interest and other costs on state revenue bonds	815,626	759,657
Non-operating income (loss)	17,233	(3,926)
Change in net position	(112,834)	151,410
Net position at beginning of year	3,916,744	3,765,334
Net position at end of year	$ 3,803,910	3,916,744

See accompanying notes to consolidated financial statements.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended March 31, 2022 and 2021

	2022	2021
	(In thousands)	
Cash flows from operating activities:		
Interest and finance income received	$ 17,375	16,210
State appropriation received for interest on debt	-	17
Other operating receipts	114,432	44,485
Cash received from hotel tax revenue	21,665	24,883
Grants received	1,386,700	934,308
Interest payments on state revenue bonds	(44,046)	(28,002)
Payments for general and administrative expenses	(273,093)	(124,058)
Grant payments	(1,278,991)	(521,047)
Net cash provided by (used in) operating activities	(55,958)	346,796
Cash flows from non-capital financing activities - increase in other liabilities	165,994	274,391
Cash flows from capital financing activities:		
Bond proceeds - state revenue bonds	2,403,360	6,164,090
Retirement of state revenue bonds	(1,486,080)	(1,649,435)
Accrued interest payable on revenue bonds	249	6,786
Bond payments - New York Convention Center Development Corporation	(9,390)	(8,939)
Advances on behalf of State of New York for special projects	2,082,853	(1,805,749)
Net cash provided by capital financing activities	2,990,992	2,706,753
Cash flows from investing activities:		
Proceeds from sales/maturities of investment securities	14,418,002	23,451,010
Purchase of investment securities	(17,331,324)	(25,951,661)
Investment income, net	17,233	(3,926)
Cash payments on behalf of the New York Job Development Authority	7	(109)

(Continued)

See accompanying notes to consolidated financial statements.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued

		2022	2021
		(In thousands)	
Cash flows from investing activities, continued:			
Payments received from projects financed by corporate revenue bonds	$	2,141	1,956
Collections (payments) on economic development loans		16,883	(16,596)
Net activity on economic development projects		2,712	656
Investment in real property and office equipment		(209,842)	(767,698)
Net cash used in investing activities		(3,084,188)	(3,286,368)
Net change in cash and equivalents		16,840	41,572
Cash and equivalents at beginning of year		148,641	107,069
Cash and equivalents at end of year	$	165,481	148,641
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)		(130,067)	155,336
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense		148,744	56,124
Minority interest		(29,144)	48,412
Provision for loss on loans and leases receivable and investments in other assets		883	763
Changes in:			
Due from Port Authority of New York and New Jersey		-	38,563
Other current assets		603	5,099
Other assets		9,580	2,116
Deferred outflow - pensions		(4,134)	(11,947)
Deferred outflow - OPEB		(8,057)	2,654
Accounts payable and accrued expenses		(61,693)	(16,815)
Grants payable		13,998	46,565
Net pension liability		(24,952)	18,402
Other liabilities		175	-
Deferred inflow - pensions		26,985	(1,731)
Deferred inflow - OPEB		1,121	3,255
Net cash provided by (used in) operating activities	$	(55,958)	346,796

See accompanying notes to consolidated financial statements.

Note 1 - Corporate Background and Activities

The New York State Urban Development Corporation ("UDC" or the "Corporation"), which together with its subsidiaries does business as Empire State Development ("ESD"), is a corporate governmental agency of the State of New York (the "State"), constituting a political subdivision and a public benefit corporation. Accordingly, for financial reporting purposes, the accompanying consolidated financial statements are combined as a component unit enterprise fund in the State's annual financial report. Created by legislation in 1968, ESD has broad powers, which can be utilized for civic, industrial or commercial development purposes.

The consolidated financial statements include the accounts of the New York Convention Center Development Corporation ("CCDC") which owns the Jacob Javits Convention Center (the "Javits Center") and leases the facility to the State. In February 2004, ESD took control of NYCCDC.

ESD holds 67% of the common stock of CCDC and substantially controls its operations. Under Governmental Accounting Standards Board ("GASB") Statement No. 39 - "The Financial Reporting Entity," as amended by GASB Statement No. 61 and No. 90, CCDC is considered a blended component unit of ESD and the assets, liabilities and results of operations are consolidated with the operations of ESD for financial reporting purposes.

ESD is engaged in various activities for the State, as highlighted below:

(a) Economic Development Programs and Initiatives

ESD is the State's primary agent for economic development and job creation with ten regional offices throughout the State, three of which, Albany, Buffalo and New York City, function as co-headquarters. ESD's mission is to promote a vigorous and growing State economy, encourage business investment and job creation, and support diverse, prosperous local economies across New York State through the efficient use of loans, grants, tax credits, real estate development, marketing and other forms of assistance. To support the Corporation in carrying out its economic development mission, ESD invests strategically in infrastructure, innovation, place-making and revitalization, tradable sectors and workforce development; is transparent and responsive to the needs of diverse communities across the State through the active participation of ten Regional Economic Development Councils; supports the retention and health of existing businesses, the retention of populations, and the development of new businesses and industries that will contribute to the development of the 21st century economy; promotes equality of economic opportunities for minority-and women-owned businesses; provides early-stage support for new ventures, including the research and development of new technologies; and strengthens New York State's innovation-based economy through partnerships with acclaimed universities, promoting entrepreneurialism through the development of incubators and next-generation manufacturing and technology hubs across the state. In addition, the State Legislature has provided the Corporation with various statutory powers, including the power to

Note 1 - Corporate Background and Activities, Continued

(a) Economic Development Programs and Initiatives, Continued

issue bonds, offer tax benefits to developers, condemn real property and waive compliance, where appropriate, with certain local codes and laws. Financial assistance to organizations is provided primarily through State appropriated funds received by the Corporation and State supported bonds issued by the Corporation which are disbursed to projects. Federal funding is also received through various programs to provide assistance to small businesses, businesses who have sustained losses as a result of natural disasters and other purposes that spur economic development.

(b) Subsidiaries and Economic Development Projects

In addition to assisting businesses, the Corporation continues to support major development and redevelopment efforts throughout the State through its many consolidated subsidiaries and its involvement in significant economic development projects including Harlem Community Development Corporation, New York Convention Center Development Corporation, Moynihan Station Development Corporation, Erie Canal Harbor Development Corporation, USA Niagara Development Corporation, New York Empowerment Zone Corporation and Atlantic Yards/ Pacific Park Brooklyn.

Lower Manhattan Development Corporation ("LMDC") was created as an ESD subsidiary to assist in the economic recovery and revitalization of lower Manhattan following the events of September 11, 2001. LMDC received a direct grant of up to $2.783 billion from the United States Department of Housing and Urban Development ("HUD") and the Federal Transportation Administration. Approximately $39.2 million and $36.9 million was received and disbursed during the years ended March 31, 2022 and 2021, respectively.

In 2001, to further assist the efforts of LMDC, ESD was directly appropriated $700.0 million by HUD to assist with the recovery and revitalization of lower Manhattan. No funding was received and disbursed during the year ended March 31, 2022. Approximately $2.0 thousand was received and disbursed during the year ended March 31, 2021.

Additionally, ESD administers the economic development activities of the New York Job Development Authority ("JDA"). JDA is not a component unit of ESD for financial reporting purposes.

(c) Economic Development Tax Incentives

ESD administers several tax incentive programs as follows: the Excelsior Jobs Program that provides job creation and investment incentives to firms in certain targeted industries, ranging from biotechnology to manufacturing; the New York State Film Tax Credit Program, which is designed to increase the film production and post-production industry presence in and overall economic benefits to New York State; the Empire State Musical and Theatrical Production Tax Credit Program, which provides incentives for qualified production companies to conduct technical rehearsals and other pre-tour activities and perform shows in qualified regional

Note 1 - Corporate Background and Activities, Continued

(c) Economic Development Tax Incentives, Continued

theaters through Upstate New York; and the New York Restaurant Return-To-Work Tax Credit Program, which provides an incentive to COVID-19 impacted restaurant businesses to bring restaurant staff back-to-work and to increase hiring.

Each of these tax incentive programs abate taxes collected by the State of New York. ESD has no authority to tax and collects no taxes. Therefore, disclosure of these abatements in accordance with GASB Statement No. 77 - "Tax Abatements," occurs only within the State of New York Consolidated Annual Fiscal Report.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Accounting and Principles of Consolidation

ESD is an enterprise fund that follows the economic resource measurement focus and the accrual basis of accounting. The Corporation complies with all applicable pronouncements of GASB.

The consolidated financial statements of ESD include the accounts of all wholly-owned subsidiaries, as well as those of NYCCDC, its 67% owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

(c) Cash and Equivalents

Cash and equivalents include cash deposits with banks and highly liquid temporary investments with original maturities of 90 days or less, excluding restricted cash.

(d) Investment Securities

Investment securities are reported at fair value in the consolidated statements of net position, and investment income, including changes in fair value, is reported as revenue in the consolidated statements of revenue, expenses and changes in net position.

The fair value of investment securities, which include United States Government and federal agency obligations and obligations of State and local governments, is generally based on quoted market prices. Commercial paper and mutual funds, including time deposits and repurchase agreements with maturities of one year or less, are reported at amortized cost. If required, collateral for these investments is held in the Corporation's name by financial institutions as custodians. Investment income also includes realized gains and losses from the disposition of investments on a specific identification basis.

Note 2 - Summary of Significant Accounting Policies, Continued

(e) Loans and Leases Receivable

Nonresidential loans are recorded at cost, net of amortization of principal. It is the intent of ESD to hold these loans for the foreseeable future or until maturity.

Nonresidential projects, including long-term, non-cancelable leases, are accounted for as financing transactions. The present value of aggregate future rentals (which is equivalent to the project development cost) is recorded as the net investment in the receivable at the inception of each lease and rentals are recognized as income over the lease term so as to produce a constant periodic rate of return on the net investment.

Economic development project receivables consist of loans financed by ESD primarily with appropriations received from the State. Revenue is recognized when economic development project receivables are collected, principal is amortized and interest income is recorded.

(f) Delinquent Interest

Delinquent interest on nonresidential mortgages is recognized as income upon the receipt of cash.

(g) State Revenue Bonds

State Revenue bonds are issued by ESD at the direction of the State to fund many programs, including Economic Development projects, Correctional Facilities, Youth Facilities, University Facilities, State Office Facilities, Transportation and Education projects and Community Enhancement Facilities. Most state revenue bonds are issued under the Personal Income Tax Resolution for General Purpose. ESD expects to receive funds from the State under leases, financings, service contracts or through interest earned on available cash and investments related to such bonds, in amounts sufficient to cover bond debt service and expenses, such as bond administrative costs, discounts and advance refunding costs. During fiscal 2022 and 2021, ESD received $4.321 billion and $1.778 billion, respectively, from the State.

Funds received from the State were used to meet principal payments of $1.140 billion and $1.276 billion in fiscal 2022 and 2021, respectively, which were recorded as reductions of the amounts due from the State. In addition, during fiscal 2022 and 2021 ESD used $4.6 million and $15.5 million, respectively, of state revenue bonds investment earnings to meet principal and interest payments.

During fiscal 2022, at the direction of the New York State Division of the Budget, ESD received $2.371 billion in advances for debt service obligations due throughout fiscal 2023 related to certain State supported debt. These funds are held with the Trustees and the investment earnings will be applied to future debt service obligations. There were no advanced funds received during fiscal year 2021.

Note 2 - Summary of Significant Accounting Policies, Continued

(h) Bond Defeasances and Refundings

ESD accounts for bond defeasances and refundings under the provisions of GASB Statement No. 23 - "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," as amended by GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities," and GASB Statement No. 86 - "Certain Debt Extinguishment Issues." Accordingly, gains or losses representing the difference between the reacquisition price required to repay previously issued debt, and the net carrying amount of the retired debt, are reported as a deferred outflow of resources or a deferred inflow of resources, and subsequently amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt.

In fiscal 2016, CCDC fully refunded its $700 million Revenue Bonds Series 2005 (Hotel Unit Fee Secured) with the issuance of $632.1 million Revenue Refunding Bonds Series 2015 (Hotel Unit Fee Secured). These bonds will continue to be repaid from revenues received by CCDC from hotel unit fees imposed on rentals of hotel rooms located within all five boroughs of New York City.

In-substance defeasances of revenue bond issues do not result in any net gain or loss to ESD since it is fully reimbursed by the State for all expenses related to revenue bonds, including debt service requirements.

All adjustments related to these transactions result in a change to the amount due from New York State.

(i) Capital Assets

Capital assets (real property, leasehold improvements and office equipment) are recorded at cost. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets or the related lease terms, which range from 2 to 40 years. Planning, development and construction costs for various projects which will ultimately be owned by the Corporation are capitalized when incurred and depreciated when placed in service.

As of March 31, 2022 and 2021, construction costs incurred in the amount of approximately $205.4 million and $766.9 million, respectively, were capitalized and included as part of building and improvements.

Note 2 - Summary of Significant Accounting Policies, Continued

(j) Revenue and Expense Classification

The Corporation classifies operating revenue and expenses separately from non-operating items in the preparation of its consolidated financial statements. Operating revenue and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. The principal operating revenues are earnings from economic development grants and loans, fees collected from the issuance of bonds, hotel tax collections, State appropriations for interest on revenue bonds, and grants from federal, state and city agencies. The Corporation's operating expenses include project and program costs, administrative expenses, interest related to corporate loans and revenue bonds and depreciation expense. All revenue and expenses not meeting these definitions are reported as non-operating revenue and expenses.

(k) State Appropriations

State appropriations are subject to approval by the State Legislature. ESD has no assurance that required State appropriations will be received beyond the current year to meet certain program, project and debt service obligations. State appropriations and available funds are anticipated to be sufficient to meet ESD's obligations for fiscal 2023.

(l) Grants

ESD administers certain reimbursement grant funds from federal, state and city agencies. Reimbursement grants are awarded for a specifically defined program/project and are generally administered so that ESD is reimbursed for any qualified expenditures incurred by the grantee and made in connection to such programs/projects. ESD records reimbursement grants as revenue when the related program/project costs are incurred. Differences between the costs incurred on specific programs/projects and the related approved grants are reflected as a receivable or as a deferred inflow in the accompanying consolidated statements of net position.

(m) Derivative Instruments

The Corporation had used interest rate swap agreements to manage the impact of interest rates on its Service Contract Revenue Refunding 2008A bonds and its State Personal Income Tax Revenue Bonds, Series 2004A-3 bonds. Accounting standards require that an entity recognize the fair value of all derivative instruments as either deferred outflows of resources or deferred inflows of resources in the consolidated statements of net position, with appropriate offsets to either operations or net position. The fair value of the instruments is recorded either as deferred outflows of resources or deferred inflows of resources. ESD is fully reimbursed by the State for all expenses related to revenue bonds.

Note 2 - Summary of Significant Accounting Policies, Continued

(n) Deferred Outflows and Inflows of Resources

In the consolidated statements of net position, in addition to assets, the Corporation will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation has five items that qualify for reporting in this category. The first item is the deferred loss on derivative instruments discussed in note 2(m). The second item is the deferred loss on refunding the CCDC Revenue Bonds (Hotel Unit Fee Secured) Series 2005 through the issuance of Revenue Refunding (Hotel Unit Fee Secured) Series 2015 Bonds discussed in notes 2(h) and 10. The third item is related to pensions, which represents the effect of the net change in the Corporation's proportion of the collective net pension asset or liability and difference during the measurement period between the Corporation's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The fourth item is the Corporation's contributions to the pension system subsequent to the measurement date. The fifth item is related to post-employment benefits other than pensions and represents the effect of the net change in the obligation caused by changes in actuarial assumptions discussed in note 8.

In the consolidated statements of net position, in addition to liabilities, the Corporation will sometimes report a separate section of deferred inflows of resources. The separate financial statement element reflects an increase in net position that applies to future periods. The Corporation will not recognize the related revenues until a future event occurs. The Corporation has five types of items that qualify for reporting in this category. The first item is the fair market value of derivative instruments held for the purpose of hedging a specific risk. The second item is in relation to grants receipts collected in advance of the period to be benefitted. The third item is related to pensions and represents the change in the proportion between the Corporation's contributions and the proportionate share of total plan contributions. The forth item is related to the post-employment benefit other than pensions, and represents differences between expected and actual experience and the effect of the net change in the obligation caused by changes in actuarial assumptions as detailed in note 8. The fifth item relates to other agreements into which the Corporation has entered that provide receipts in advance of the period to be benefitted and is detailed in note 13.

(o) Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through action of the Board or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Net position on the statements of net position includes, net investment in capital assets and restricted net position.

Note 2 - Summary of Significant Accounting Policies, Continued

(p) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(q) Risks and Uncertainties

The United States, including New York State, continues to deal with health matters related to COVID-19 that have had a significant impact on the national, regional and local level. The Corporation has continued its support of businesses throughout the State. Potential changes to future results and financial position is not presently determinable.

(r) Recent Accounting Standards Adopted

For the year ended March 31, 2022, the Corporation adopted Governmental Accounting Standards Board (GASB) Statement No. 89 - "Accounting for Interest Cost Incurred Before the End of a Construction Period." This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. This Standard was effective for reporting period beginning after December 15, 2020. These financial statements and notes reflect the adoption of this new Standard.

Note 3 - Cash and Equivalents

Demand deposits are secured by letters of credit and collateral held by a bank or trust company as custodians. Securities are either delivered or registered by book entry in ESD's name with bond trustees or custodian banks.

At March 31, 2022 and 2021, cash held in demand and custodial deposits, as well as cash equivalents were collateralized by the depository institution, generally with obligations of the United States, its agencies, or New York State obligations with a remaining maturity when purchased of 90 days or less, as follows (in thousands):

	2022		2021	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured (FDIC)	$ 1,549	1,549	1,550	1,550
Uninsured - collateral held by custodian in ESD's name	663,695	663,892	536,498	536,592
Deposits held in trust for the Corporation's benefit	2,253,835	2,253,835	2,257	2,257
Total cash and cash equivalents	$ 2,919,079	2,919,276	540,305	540,399

Note 4 - Fair Value of Financial Instruments

Authorization for investment in securities is governed by written internal guidelines, statutes, State guidelines and bond resolutions. Permitted investments include:

- Obligations of the United States Treasury, agencies and authorities;
- Direct obligations of the State of New York, its political subdivisions and public authorities;
- Bonds and other obligations of governmental authorities, political subdivisions, Federal Agencies, Government Sponsored Enterprises ("GSE's") or public authorities of the State or of the United States of America, which are securities in which the Corporation lawfully may invest pursuant to applicable statutes, regulations and bond resolutions including, but not limited to, Federal National Mortgage Association ("FNMA"), Federal Farm Credit Bank ("FFCB"), Federal Home Loan Bank ("FHLB"), Federal Home Loan Mortgage Corporation ("FHLMC - Freddie Mac"), and Student Loan Marketing Association ("SLMA - Sallie Mae");
- Repurchase agreements with financial institutions authorized to do business in New York State which are listed as primary government securities dealers by New York's Federal Reserve Bank, and which are collateralized by U.S. Government securities;
- Commercial paper issued by domestic banks, corporations and financial companies rated "A-1" or better by Standard & Poor's Corporation or "P-1" or better by Moody's Investors Service, Inc.;
- Restricted cash held for subsidiaries and for other purposes insured by the FDIC or fully collateralized in ESD's name;
- Certificates of deposit of banks or trust companies authorized to do business in the State;
- Units, shares or interest in a mutual fund or money market fund of regulated investment companies that meet specified criteria; and
- Real property.

Investment securities cost and fair value at March 31, 2022 and 2021 consisted of the following (in thousands):

	2022		
	Cost	Fair Value	Unrealized Gain
U.S. Government and Federal Agency obligations	$ 4,940,257	4,948,864	8,607
Restricted cash	2,756,144	2,756,144	-
Total	$ 7,696,401	7,705,008	8,607

	2021		
	Cost	Fair Value	Unrealized Loss
U.S. Government and Federal Agency obligations	$ 4,404,003	4,395,698	(8,305)
Restricted cash	395,988	395,988	-
Total	$ 4,799,991	4,791,686	(8,305)

Note 4 - Fair Value of Financial Instruments, Continued

Fair Value Measurements

Accounting principles generally accepted in the United States of America established a framework that provides a fair value hierarchy 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) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable directly, or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to overall fair value measurement.

The Corporation holds financial instruments with quoted prices in active markets for identical assets (level 1) of $4,948.9 million and $4,395.7 million at March 31, 2022 and 2021, respectively.

Restricted or designated investment securities held by ESD include cash and equivalents and investment securities amounting to $835.2 million and $999.4 million at March 31, 2022 and 2021, respectively. These amounts at March 31, 2022 and 2021 are restricted for special projects on behalf of the following subsidiaries/programs/purposes (in thousands):

	2022	2021
Subsidiary/Programs/Purposes:		
42nd Street Development Project	$ 20,950	20,395
New York Empowerment Zone Corporation	3,690	2,582
Queens West Development Corporation	21,350	21,496
Harlem Community Development Corporation	8,113	8,960
Enterprise Community	874	876
USA Niagara Development Corp	4,267	4,384
Lower Manhattan Development Corporation	284	284
New York Convention Center Development Corporation	246,482	446,496
ESD Moynihan Station (James A. Farley Post Office Building)	117,603	107,094
ESD One Bryant Park	8,598	8,593
ESD Columbia SAC	1,884	256
ESD Erie Canal Harbor Development Corporation	26,211	26,310
ESD Privatization Program	1,077	1,076
Empire State New Market Corporation	4,523	4,187
ESD OPEB Liability Account	33,207	33,184
ESD Brooklyn Arena Project, ESD Atlantic Yard Project -Phase 1	192	167

Note 4 - Fair Value of Financial Instruments, Continued

	2022	2021
Subsidiary/Programs/Purposes, Continued:		
ESD 125 Maiden Lane	$ 63,504	63,510
ESD New York	3,070	3,069
ESD Project Repair Program	12,859	12,848
ESD Farley	2,923	673
ESD Marriot Marquis Purchase Option Fund	1,447	1,447
ESD TRAIL Remaining Fund	3,714	3,710
ESD Section 32 Remaining Fund	1,404	1,403
ESD Erie County Stadium Corporation Capital Improvement	4,005	2,005
ESD Arthur Kill Development Project	231	231
ESD Bronx Psychiatric Center Development Project	1,647	1,659
ESD Venture Atlantic Yard Project - Phase 2	386	606
Public Authority Control Board Authorized (including rent subsidy program in Lower Manhattan)	211,086	216,446
ESD Bayview Correctional Facility Project	605	604
Statewide Local Development Corporation	17	18
ESD Belmont Park Imprest	195	545
Other Purposes	28,795	4,307
Totals	$ 835,193	999,421

Note 5 - Loans and Leases Receivable

Nonresidential lease receivables, commercial lease receivables, real estate investments and economic development loans at March 31, 2022 and 2021 consist of the following (in thousands):

	2022		2021	
	Number	Balance	Number	Balance
Non-residential lease receivables, commercial lease receivables and real estate investments:				
Lease receivables (a)	2	$ 1,013	2	$ 2,879
Commercial leases (b)	4	2,276	4	2,538
Real estate investments (c)	10	1,318	10	1,331
Sub-total	16	4,607	16	6,748
Economic development loans (d)	63	82,460	64	100,314
Total	79	87,067	80	107,062
Less current portion		(1,075)		(2,744)
Non-current portion		$ 85,992		$ 104,318

Note 5 - Loans and Leases Receivable, Continued

(a) Non-residential Lease Receivables

Non-residential lease receivables included two projects outstanding in 2022 and 2021, which were owned by ESD and leased to others. ESD earns a 7% to 8.25% return, plus the original investment of funds. At March 31, 2022, all remaining lease terms exceeded one year.

(b) Commercial Leases

Commercial leases consist of ground rent and commercial Tax Equivalency Payments ("TEP") pursuant to ground leases on four Roosevelt Island housing projects in 2022 and 2021, which include two non-subsidized, one subsidized, and one cooperative, totaling 2,141 units. Based on the existing TEP agreements, payments continue to the Corporation. The various ground lease terms range from one to ten years. The receivable balance of $2.3 million is amortized at an average annual interest rate of 7.5%.

(c) Real Estate Investments

Real estate investments consist of approximately 367 acres of land (comprised of eight sites) in the Towns of Lysander and Amherst for residential, commercial and industrial development in the planned communities of Radisson and Audubon.

(d) Economic Development Loans

Economic development loans consist of secured, low interest loans made to companies in the State to retain and create jobs. The terms of outstanding loans range from one to twelve years. The funds to make the loans come from State appropriations, which are not repayable. The loans are net of allowance for possible losses of approximately $39.0 million at March 31, 2022 and 2021.

Note 6 - Capital Assets

Capital assets at March 31, 2022 and 2021 consists of the following (in thousands):

	2022			
	Balance at March 31, 2021	Additions	Disposals	Balance at March 31, 2022
Land	$ 372,905	3,650	-	376,555
Buildings, improvements and construction in progress (incl. Farley)	3,125,332	110,268	-	3,235,600
Moynihan Station	2,041,679	95,110	-	2,136,789
Furniture and equipment	40,174	814	-	40,988
	5,580,090	209,842	-	5,789,932
Less accumulated depreciation	(603,081)	(148,744)	-	(751,825)
Totals	$ 4,977,009	61,098	-	5,038,107

	2021			
	Balance at March 31, 2020	Additions	Disposals	Balance at March 31, 2021
Land	$ 372,905	-	-	372,905
Buildings, improvements and construction in progress (incl. Farley)	2,741,383	383,949	-	3,125,332
Moynihan Station	1,658,732	382,947	-	2,041,679
Furniture and equipment	39,372	802	-	40,174
	4,812,392	767,698	-	5,580,090
Less accumulated depreciation	(546,957)	(56,124)	-	(603,081)
Totals	$ 4,265,435	711,574	-	4,977,009

Note 6 - Capital Assets, Continued

(a) Buildings, Improvements and Construction In Progress

Major components of buildings, improvements and construction in progress at March 31, 2022 and 2021 are as follows (in thousands):

	2020	Net increase (decrease)	2021	Net increase (decrease)	2022
New York Convention Center Development Corporation	$ 2,295,831	381,761	2,677,592	106,346	2,783,938
USA Niagara	22,451	-	22,451	-	22,451
James A. Farley Post Office Building and other ESD property	406,280	1,968	408,248	4,437	412,685
Other Subsidiaries	16,821	220	17,041	(515)	16,526
Total	$ 2,741,383	383,949	3,125,332	110,268	3,235,600

(b) James A. Farley Post Office Building

On March 30, 2007, ESD purchased of the James A. Farley Post Office Building for $230.0 million plus additional charges for interim operating and maintenance costs incurred prior to closing. The acquisition was financed as follows (in thousands):

Initial deposits	$ 50,000	
At closing	50,000	plus certain Consumer Price Index Adjustments
At June 30, 2007	45,000	plus certain Consumer Price Index Adjustments
At June 30, 2008	30,000	plus certain Consumer Price Index Adjustments
	175,000	
Deferred purchase price	55,000	plus deferred interest
Total	$ 230,000	

ESD borrowed $75.0 million from a bank and incurred seller financed debt of $130.0 million to complete the acquisition.

The Port Authority of New York and New Jersey committed $140.0 million for the acquisition of the James A. Farley Post Office Building (the "Farley Building"). As the funds were received, they were recorded as revenue in the corresponding fiscal year. At March 31, 2022, ESD has paid all amounts related to the purchase of the Farley Building, except the $55 million "deferred purchase price component" and related accrued interest which remains due to the United States Postal Service ("USPS").

The "deferred purchase price component" of the promissory note was due upon the "Phase II Fit-out Commencement Date." This date was reached on January 1, 2021. The Corporation and the USPS agreed to extend the due date of the note for three years until December 31, 2024. The deferral will include an interest rate of 2.75%. The balance of the note, including the related deferred interest, amounted to $81.2 million and $78.5 million at March 31, 2022 and 2021, respectively.

Note 6 - Capital Assets, Continued

(c) Yale Building

In August 2006, the Corporation entered into an agreement to purchase the Yale Building site from New York Convention Center Operating Corporation ("CCOC"). The agreement provided that CCDC defease certain outstanding bonds of CCOC in the amount of $66.2 million, subsequently reduced to $62.4 million. In addition to the defeasance amount, CCDC has agreed to make an additional $15.0 million payment to CCOC upon the sale or lease of certain property (as defined in the Purchase and Sale Agreement). This amount is not being recorded on the consolidated financial statements since it is contingent on the sale of a parcel of land owned by CCDC. All amounts incurred in connection with this purchase will be recorded as land.

(d) Depreciation

Depreciation expense for the years ended March 31, 2022 and 2021 amounted to $148.7 million and $56.1 million, respectively.

Note 7 - Other Assets

Other assets at March 31, 2022 and 2021 consist of the following (in thousands):

	2022	2021
Receivable from municipalities, other authorities and others	$ 60,361	69,336
Hotel tax receivable	2,600	2,074
Prepaid insurance	269	1,780
Reserve for commercial real estate projects	116,167	101,753
Other	9,651	24,288
	189,048	199,231
Less current portion	(19,827)	(20,430)
Non-current portion	$ 169,221	178,801

Note 8 - Post-employment Benefits Other Than Pensions

Plan Description - The Corporation provides continuation of insured medical coverage through the Empire Plan for employees that retire with at least five years of credited service with the Corporation. The Corporation will also provide coverage in the event of early retirement if the employee qualifies for a State disability pension. The Corporation contributes 90% of costs for non-Medicare eligible individual participants and 81.5% of costs for non-Medicare eligible family participants. The Corporation contributes the full cost of coverage for Medicare eligible individual participants and at least 90% of costs for Medicare eligible family participants. The Corporation also reimburses covered retirees 100% of the Medicare Part B premium rate applicable to a given year. Surviving dependents of retired employees with at least ten years of service, employees in vested status or active employees with ten years of service and within ten years of retirement are also eligible for continued health insurance coverage at the same contribution requirement as active employees.

As indicated above, the Corporation provides certain health care benefits for retired employees. Substantially all of the Corporation's employees may become eligible for these benefits if they reach the normal retirement age of the respective tier of the New York State Retirement System, while working for the Corporation. The Corporation, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees.

The number of participants as of April 1, 2021, the date of the valuation used for the March 31, 2022 measurement, was as follows:

Active employees	367
Retired employees	208
Total	575

Total OPEB Liability

The Corporation's total OPEB liability of $172.2 million was measured as of March 31, 2022 and was determined by an actuarial valuation as of April 1, 2021. There are no assets accumulated in a trust that meet the criteria in GASB Statement No. 75, paragraph 4.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the April 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50% (including general inflation)
Discount rate	2.67%
Healthcare cost trend rates	5.75% declining to 4.04%

Note 8 - Post-employment Benefits Other Than Pensions, Continued

Changes in the Total OPEB Liability

Total OPEB liability as of April 1, 2020	$ 147,665
Changes for the year:	
Service cost	10,678
Interest on total OPEB liability	3,558
Differences between expected and actual experience	(1,956)
Changes in assumptions	(3,765)
Benefit payments	(3,226)
Total changes	5,289
Total OPEB liability as of March 31, 2021	152,954
Changes for the year:	
Service cost	10,547
Interest on total OPEB liability	3,883
Differences between expected and actual experience	12,495
Changes in assumptions	(4,184)
Benefit payments	(3,447)
Total changes	19,294
Total OPEB liability as of March 31, 2022	$ 172,248

Sensitivity of the total OPEB liability to changes in the discount rate
The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.67%) or 1-percentage-point higher (3.67%) than the current discount rate:

	1% Decrease (1.67%)	Discount Rate (2.67%)	1% Increase (3.67%)
Total OPEB liability	$ 208,007	172,248	144,502

This analysis represents sensitivity of the OPEB liability as of March 31, 2022.

Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates
The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a rate that is 1-percentage point lower or 1-percentage point higher than the current trend rate:

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	$ 141,206	172,248	213,504

This analysis represents sensitivity of the OPEB liability as of March 31, 2022.

Note 8 - Post-employment Benefits Other Than Pensions, Continued

At March 31, 2022 and 2021 the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,710	6,015	-	7,834
Changes in assumptions	7,961	6,494	10,614	3,554
Total	$ 18,671	12,509	10,614	11,388

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending	
2023	$ 1,375
2024	1,375
2025	1,484
2026	370
2027	370
Thereafter	1,188
	$ 6,162

Note 9 - State Revenue Bonds

At March 31, 2022 and 2021, ESD's outstanding revenue bonds were as follows (in thousands):

(a) State Personal Income Tax Revenue Bonds (P.I.T.)	Balances 2022	2021	Coupon rates (%)	Maturity dates
State Facilities and Equipment				
2004 Series A-2	$ 81,080	120,110	5.50	2025
2004 Series A-3	74,615	298,550	Variable Note	2033
General Purpose				
2009 Series E (Taxable Build America)	576,080	576,080	5.77	2039
2010 Series C (Taxable Build America)	323,265	344,360	5.21 - 5.84	2040
2013 Series A-1	453,445	492,995	3.50 - 5.00	2043
2013 Series A-2	20,240	23,700	2.50 - 5.00	2026
2013 Series C	517,585	552,285	5.00	2033
2013 Series D	182,775	275,950	5.00	2025
2013 Series E	594,620	626,675	5.00	2043
2013 Series F (Taxable)	48,135	94,780	3.45	2023
2014 Series A	647,485	700,885	5.00	2044
2014 Series B (Taxable)	70,485	116,000	2.98 - 3.08	2024
2015 Series A	707,445	767,190	5.00	2045
2016 Series A	1,239,525	1,380,860	3.00 - 5.00	2038
2017 Series A	723,335	752,030	3.50 - 5.00	2047
2017 Series B (Taxable)	516,090	626,230	2.67 - 3.42	2028
2017 Series C	654,630	661,435	4.00 - 5.00	2047
2017 Series D (Taxable)	787,395	871,185	2.70 - 3.47	2032
2019 Series A	717,845	717,845	4.00 - 5.00	2048
2019 Series B (Taxable)	719,080	773,530	3.00 - 3.90	2033
2020 Series A	1,288,210	1,288,210	3.00 - 5.00	2050
2020 Series B (Taxable)	492,010	492,010	0.72 - 2.28	2034
2020 Series C	2,162,710	2,196,030	3.00 - 5.00	2050
2020 Series D (Taxable)	65,900	65,900	0.62 - 1.76	2030
2020 Series E	1,607,825	1,607,825	3.00 - 5.00	2050
2020 Series F (Taxable)	478,590	478,590	0.48 - 2.68	2039
Total State Personal Income Tax Revenue Bonds	15,750,400	16,901,240		

Note 9 - State Revenue Bonds, Continued

	Balances		Coupon	Maturity
(b) Service Contract Refunding	2022	2021	rates (%)	dates
2008 Series A	$ -	121,910	Variable Note	Redeemed
(c) State Sales Tax Revenue				
2019 Series A	909,905	1,006,450	3.00 - 5.00	2049
2019 Series B (Taxable)	509,080	514,180	1.91 - 2.97	2034
2020 Series A	95,260	197,150	1.13 - 1.15	2024
2020 Series B (Taxable)	23,665	33,460	1.44 - 1.53	2025
2021 Series A	1,754,565	-	2.62 - 5.00	2051
2021 Series B (Taxable)	648,795	-	0.43 - 2.64	2036
Total State Sales Tax Revenue Bonds	3,941,270	1,751,240		
Total all issues	19,691,670	18,774,390		
Less current portion	(1,321,025)	(1,160,705)		
Total non-current revenue bonds	$ 18,370,645	17,613,685		

A summary of changes in outstanding revenue bonds at March 31, 2022 and 2021 is as follows:

	2022			
	Balance at March 31, 2021	Increases	Decreases	Balance at March 31, 2022
State Personal Income Tax Revenue Bonds	$ 16,901,240	-	(1,150,840)	15,750,400
Service Contract Refunding	121,910	-	(121,910)	-
State Sales Tax Revenue Bonds	1,751,240	2,403,360	(213,330)	3,941,270
Total	$ 18,774,390	2,403,360	(1,486,080)	19,691,670

	2021			
	Balance at March 31, 2020	Increases	Decreases	Balance at March 31, 2021
State Personal Income Tax Revenue Bonds	$ 12,063,605	6,128,565	(1,290,930)	16,901,240
University Facilities	395	-	(395)	-
State Office Facilities	19,500	-	(19,500)	-
Service Contract Refunding	139,155	-	(17,245)	121,910
State Sales Tax Revenue Bonds	2,037,080	-	(285,840)	1,751,240
Total	$ 14,259,735	6,128,565	(1,613,910)	18,774,390

(Continued)

Note 9 - State Revenue Bonds, Continued

State revenue bonds issued by ESD on behalf of the State rely on financing and service contracts, leases and subleases with the State. State appropriations are provided to ESD to make debt service payments (principal and interest) on the bonds and related expenses. Therefore, the issuance of all state revenue bonds is not expected to result in any net revenue or expense to ESD, since any debt service not covered by available assets is recovered by State appropriation. ESD assets related to these financings as of March 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Due from State of New York	$ 13,448,876	15,531,729
Investment securities restricted or designated for state revenue bonds	-	49
Cash and investments	6,306,577	3,306,285
Less accrued interest payable	(36,081)	(35,832)
Less other	(27,702)	(27,841)
Bonds payable	$ 19,691,670	18,774,390

State Sales Tax Revenue Bonds Series 2021A and 2021B (Federally Taxable)

In October 2021, ESD issued $2,403.4 million in State Sales Tax Revenue Bonds: $1,754.6 million Series 2021A (Tax-Exempt) and $648.8 million Series 2021B (Federally Taxable) (the "Series 2021 Bonds"). The Series 2021 Bonds were issued for the purposes of financing Authorized Purposes, including (i) financing or reimbursing all or a portion of the costs of programs and projects within the State, including but not limited to Transportation projects, Education projects, Economic Development projects, State Facilities, Statewide Equipment, Youth Facilities, SAM, IT projects, Environmental projects, Division of Military & Naval Affairs, Division of State Police, Housing, and Correctional Facilities, (ii) refund certain State-supported debt previously issued by the Corporation, including paying the costs of any interest rate exchange agreement terminations relating to such refunded bonds, and (iii) pay certain costs relating to the issuance of the Series 2021 Bonds.

State Personal Income Tax Revenue Bonds (General Purpose) Series 2020E and 2020F (Federally Taxable)

In December 2020, ESD issued $2,086.4 million in State Personal Income Tax Revenue Bonds (General Purpose): $1,607.8 million Series 2020E (Tax-Exempt) and $478.6 million Series 2020F (Federally Taxable) (the "Series 2020EF Bonds"). The Series 2020EF were issued for the purposes of financing Authorized Purposes. Proceeds of the Series 2020EF Bonds were used to (i) finance or reimburse all or a portion of the costs of programs and projects within the State, including capital projects for information technology, economic development initiatives, housing capital programs, correctional facilities, transportation facilities, State police facilities, youth program facilities, State office buildings and other facilities and environmental projects, (ii) refund certain State-supported debt previously issued by an Authorized Issuer, and (iii) pay all or part of the cost of issuance of the Series 2020EF Bonds.

Note 9 - State Revenue Bonds, Continued

State Personal Income Tax Revenue Bonds (General Purpose) Series 2020C and 2020D (Federally Taxable)

In July 2020, ESD issued $2,297.5 million in State Personal Income Tax Revenue Bonds (General Purpose): $2,225.4 million Series 2020C (Tax-Exempt) and $72.1 million Series 2020D (Federally Taxable) (the "Series 2020CD Bonds"). The Series 2020CD were issued for the purposes of financing Authorized Purposes. Proceeds of the Series 2020CD Bonds were used to (i) finance or reimburse all or a portion of the costs of programs and projects within the State, including capital projects for economic development initiatives, correctional facilities, transportation initiatives, State office buildings and other facilities, environmental projects, youth program facilities, housing capital programs, hazardous waste remediation, agriculture, healthcare, parks and recreational facilities, SUNY Grants, and certain projects related to the State contribution to the 2015-19 Metropolitan Transportation Authority (MTA) Capital Plan that were originally financed with MTA Transportation Revenue Bond Anticipation Notes, (ii) refund certain State-supported debt previously issued by an Authorized Issuer, and (iii) pay all or part of the cost of issuance of the Series 2020CD Bonds.

State Personal Income Tax Revenue Bonds (General Purpose) Series 2020A and 2020B (Federally Taxable)

In June 2020, ESD issued $1,780.2 million in State Personal Income Tax Revenue Bonds (General Purpose): $1,288.2 million Series 2020A (Tax-Exempt) and $492.0 million Series 2020B (Federally Taxable) (the "Series 2020AB Bonds"). The Series 2020AB were issued for the purposes of financing Authorized Purposes. Proceeds of the Series 2020AB Bonds were used to finance or reimburse all or a portion of the costs of programs and projects within the State, including (i) capital projects for economic development initiatives, the Jacob K. Javits Convention Center, homeland security projects and facilities, correctional facilities, transportation facilities, State office buildings, environmental projects, information technology projects, youth program facilities, the division of military and naval affairs, the division of State police, and housing capital programs, (ii) SUNY grants, and (iii) pay all or part of the cost of issuance of the Series 2020AB Bonds.

Note 9 - State Revenue Bonds, Continued

Annual maturities and interest obligations on State revenue bonds for the five years following March 31, 2022 are as follows (in thousands):

	Principal	Interest (a)	Total
2023	$ 1,321,025	811,816	2,132,841
2024	1,244,060	761,399	2,005,459
2025	1,150,865	710,272	1,861,137
2026	1,114,340	663,437	1,777,777
2027	1,085,795	617,660	1,703,455
	$ 5,916,085	3,564,584	9,480,669

(a) Excludes variable interest rate.

Aggregate principal maturities subsequent to 2027 are approximately $13.8 billion.

Interest Rate Transactions

The remaining balances of the interest rate swap agreements were $0 million and $345.8 million at March 31, 2022 and 2021, respectively. In October 2021, the interest rate swap agreements were terminated with the issuance of the State Sales Tax Revenue Bonds, Series 2021A and B. During fiscal 2022, the notional amount of the interest rate swap agreements in connection with the Service Contract Revenue Refunding Series 2008A Bonds (Variable Rate Demand Notes) decreased from $122.0 million at March 31, 2021 to $0 million at March 31, 2022.

Under the swap agreements, the Corporation effectively converted terms of the underlying debt obligation from a variable rate to a fixed rate. Under the terms of the agreement, the Corporation paid a fixed rate of 3.578% to the related counter-party and received a variable rate equivalent to 65% of the 30-day LIBOR rate. The maturities of the swaps were equal to the maturities of the Series 2008A Bonds and amortization began in 2017 with a final maturity in 2030. Since the Corporation was fully reimbursed by the State for all swap-related payments, no gains or losses were recognized.

The $223.8 million interest rate swap balance at March 31, 2021 supported the State Personal Income Tax Revenue Bonds, Series 2004A-3, with amortization ranging from 2025 to 2033. The Corporation received a variable rate equivalent to 65% of the 30-day LIBOR rate and paid a fixed rate to the related counterparties of 3.49%. Since the Corporation was fully reimbursed by the State for all swap-related payments, no gains or losses were recognized.

The fair value of the swaps is recorded as deferred inflows of resources and the related deferred loss as deferred outflows of resources.

Note 10 - New York Convention Center Development Corporation Revenue Bonds

In August 2015, CCDC, a subsidiary of ESD, issued $632.1 million Revenue Refunding Bonds Series 2015 (Hotel Unit Fee Secured) for the purpose of (a) refunding the outstanding balance of the $700.0 million Revenue Bonds Series 2005 (Hotel Unit Fee Secured); (b) paying certain costs of expanding and renovating the Jacob K. Javits Convention Center (the "Javits Center") located in New York City; (c) funding certain reserves; and (d) paying for the costs of issuance. These bonds will be repaid from revenues received by CCDC from hotel unit fees imposed on rentals of hotel rooms located within all five boroughs of New York City.

In September 2016, CCDC issued $420.2 million in Senior and Subordinated Lien Revenue Bonds Series 2016A and Series 2016B (Hotel Unit Fee Secured): $193.1 million Senior Lien Series 2016A and $227.1 million Subordinated Lien Series 2016B (the "Series 2016 Bonds"). The Series 2016 Bonds were issued to (i) pay certain of the costs of expanding and renovating the Javits Center, (ii) fund the Revenue Account up to the Revenue Account Requirement, (iii) fund the Debt Service Reserve Accounts up to the Debt Service Reserve Accounts Requirements, (iv) fund a deposit to the Subordinated Lien Capitalized Interest Account, and (v) pay the costs of issuance of the Series 2016 Bonds. These bonds will be repaid from revenues received by CCDC from hotel unit fees imposed on rentals of hotel rooms located within all five boroughs of New York City.

CCDC maintains debt service reserve funds in accordance with the terms of the individual bond resolutions and enabling legislation.

As of March 31, 2022 and 2021, CCDC's outstanding Revenue Bonds were as follows (in thousands):

	Balances		Coupon	Remaining payments
2016 A and B Revenue Bonds	2022	2021	rates (%)	to
Serial	$ 25,390	29,475	2.75 - 5.00	2056
Term	4,390	4,390	5.00	2041
Term	45,475	45,475	5.00	2046
Capital Apprec.	399,909	387,140	Zero Cpn	2056
	475,164	466,480		
Unamortized bond premium	10,951	12,095		
	$ 486,115	478,575		

Note 10 - New York Convention Center Development Corporation Revenue Bonds, Continued

2015 Revenue Bonds	Balances 2022	Balances 2021	Coupon rates (%)	Remaining payments to
Serial	$ 273,720	286,160	3.00-5.00	2045
Term	121,635	121,635	5.00	2040
Term	50,285	50,285	3.50	2045
Term	25,010	25,010	4.00	2045
Term	100,225	100,225	5.00	2045
	570,875	583,315		
Unamortized bond premium	36,364	40,608		
	$ 607,239	623,923		

	2022	2021
2016 A and B Revenue Bonds	$ 486,115	478,575
2015 Revenue Bonds	607,239	623,923
	1,093,354	1,102,498
Less current portion	(17,835)	(16,525)
Total non-current project Revenue Bonds - New York Convention Center Development Corporation	$ 1,075,519	1,085,973

Interest is payable semiannually on November 15th and May 15th of each year.

Series 2015 Bonds - Early redemption options may commence in 2025 at 100%.

Series 2016A and 2016B Bonds - Early redemption options on certain bonds may commence in 2026 at 100%.

Annual principal maturities and interest obligations for the next five years following March 31, 2022 are as follows (in thousands):

	Principal	Interest	Total
2023	$ 17,835	30,698	48,533
2024	19,215	29,459	48,674
2025	20,620	28,497	49,117
2026	22,150	27,562	49,712
2027	23,425	26,770	50,195
	$ 103,245	142,986	246,231

Aggregate principal maturities, including all accreted interest on capital appreciation debt, subsequent to 2027 are approximately $1.5 billion.

Note 11 - Other Financing

On March 30, 2007, ESD completed the purchase of the James A. Farley Post Office Building (the "Farley Building") and entered into two financing agreements totaling $205.0 million. The first note, a $75.0 million mortgage loan, was issued to a bank and required semi-annual payments of interest only at the rate of 5.375% per annum. Principal together with all accrued but unpaid interest was originally due in April 2010. The second note was issued to the USPS for $130.0 million. Payments as specified in the note were as follows: (a) On June 30, 2007, $45.0 million as adjusted by the March 30, 2007 Consumer Price Index ("CPI"); (b) On June 30, 2008, $30.0 million as adjusted by the March 30, 2007 CPI; (c) a "deferred purchase price component" of the remaining balance of $55.0 million before adjustment by CPI due on the "Phase II Fit-Out Commencement Date."

At March 31, 2022, ESD has paid all amounts related to the purchase of the Farley Building, except the $55.0 million "deferred purchase price component." Interest based on CPI continued to accrue on this outstanding balance through January 1, 2021 (see note 6(b) for more information). After January 1, 2021, interest accrued at a rate of 2.75% per annum. Total interest accrued at March 31, 2022 and 2021 amounted to $26.2 million and $23.5 million, respectively.

On July 21, 2017, ESD executed a Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA") loan agreement with the United State Department of Transportation ("DOT") for an amount up to $526,135,545 for renovation and reconstruction of the Farley Post Office building into Moynihan Station. On November 18, 2021, ESD executed an Amended and Restated TIFIA loan agreement that increased the loan amount up to $606,671,450, for an increase in the principal amount of $80,535,905. The amended loan matures on October 30, 2055 and carries an interest rate of 1.99%. The TIFIA loan is secured by Payment in Lieu of Taxes ("PILOT") Revenues to be paid by the tenant of Moynihan Station. Beginning October 2019, ESD began to take monthly draws from the available TIFIA loan funds, and at March 31, 2022, ESD had drawn the entire $606,671,450 loan amount. Interest accrued on the initial outstanding loan balance at a rate of 2.81%. During the year ended March 31, 2021, $4.9 million of interest was capitalized to construction in progress. During the year ended March 31, 2022, interest costs incurred amounting to $13.3 million were recognized as an expense in accordance with the Corporation's adoption of GASB Statement No. 89 (note 2(q)). Substantial completion of Moynihan Station occurred on January 1, 2022 and construction in progress was reclassified to buildings (Moynihan Station).

Annual maturities and interest obligations on the TIFIA loan for the five years following March 31, 2022 are as follows (in thousands):

	Principal	Interest	Total
2023	$ -	12,148	12,148
2024	-	12,074	12,074
2025	-	12,187	12,187
2026	-	12,292	12,292
2027	408	12,382	12,790
	$ 408	61,083	61,491

Aggregate principal maturities subsequent to 2027 are approximately $606.3 million.

Note 12 - Other Liabilities

Other liabilities at March 31, 2022 and 2021 consist of the following (in thousands):

	2022			
	Balance at March 31, 2021	Increases	Decreases	Balance at March 31, 2022
Grants, economic development programs and special projects/bonds	$ 137,880	-	(4,639)	133,241
Other loan and revolving loan programs - advances from State	413	-	-	413
Other accruals	58,522	34,027	-	92,549
Totals	196,815	34,027	(4,639)	226,203
Less current portion	(85,021)			(87,365)
Non-current portion	$ 111,794			138,838

	2021			
	Balance at March 31, 2020	Increases	Decreases	Balance at March 31, 2021
Grants, economic development programs and special projects/bonds	$ 186,817	-	(48,937)	137,880
Other loan and revolving loan programs - advances from State	413	-	-	413
Other accruals	60,484	-	(1,962)	58,522
Totals	247,714	-	(50,899)	196,815
Less current portion	(84,430)			(85,021)
Non-current portion	$ 163,284			111,794

Note 13 - Deferred Inflows of Resources - Other

Deferred inflows of resources - other at March 31, 2022 and 2021 consist of the following (in thousands):

	2022			
	Balance at March 31, 2021	Increases	Decreases	Balance at March 31, 2022
Grants, economic development programs and special projects/bonds	$ 11,247	-	(135)	11,112
Deferred gain on ground lease deposit (a)	2,483	-	-	2,483
Deferred funding for Moynihan Station (b)	342	243	-	585
Other loan and revolving loan programs - advances from State	1,754	-	-	1,754
Other accruals (c)	40,767	-	(5,170)	35,597
Totals	$ 56,593	243	(5,305)	51,531

	2021			
	Balance at March 31, 2020	Increases	Decreases	Balance at March 31, 2021
Grants, economic development programs and special projects/bonds	$ 11,354	-	(107)	11,247
Deferred gain on ground lease deposit (a)	2,483	-	-	2,483
Deferred funding for Moynihan Station (b)	150	192	-	342
Other loan and revolving loan programs - advances from State	1,754	-	-	1,754
Other accruals (c)	45,905	-	(5,138)	40,767
Totals	$ 61,646	192	(5,245)	56,593

(a) On November 26, 2007 the Harlem Community Development Corporation ("HCDC") entered into a memorandum of understanding ("MOU") with Danforth Development Partners, LLC ("Danforth") for the redevelopment of the Victoria Theatre property. At the completion of the redevelopment project, HCDC will enter into a ground lease with Danforth, giving Danforth all rights in the property for the term of the lease. To execute the MOU, Danforth made a $1 million non-refundable deposit on the ground lease of the Victoria Theatre. Revenue from the deposit will remain deferred until the ground lease is executed. In fiscal 2016, HCDC received approximately $1.5 million in additional advances under this agreement. No advances were received in fiscal 2022 and 2021.

Note 13 - Deferred Inflows of Resources - Other, Continued

(b) Moynihan Station progressed according to the Development Agreement entered into on June 15, 2017 by and among the project sponsors, ESD, the Metropolitan Transit Authority, the National Railroad Passenger Corporation ("Amtrak"), and the private development partnership of The Related Companies, Skanska Construction and Vornado Realty Trust. Financial support of Moynihan Station was provided through an appropriation in the New York State budget of \$700.0 million, of which \$150.8 million was used to prepay the mortgage loan that encumbered the Farley Building and \$549.2 million was used toward funding Phase 2. Further funding was provided in accordance with an Agreement of Lease (the "Agreement") dated June 15, 2017 by and between ESD and the Moynihan Interim Tenant LLC c/o Vornado Realty Trust (the "Tenant"), in which the Tenant agreed to contribute \$230 million to Phase 2. The \$230 million in funding was fully utilized as of March 31, 2019. Additionally, pursuant to the Development Agreement, Amtrak contributed \$105 million toward Phase 2 which was fully utilized as of March 31, 2019.

(c) The Corporation, through its subsidiary, Erie Canal Harbor Development Corporation ("ECHDC"), entered into a Re-licensing Agreement ("the Agreement") with New York Power Authority ("NYPA"), under which the Corporation will receive annual payments of \$4.7 million through the year 2029. The remaining stream of payments as of March 31, 2022 is \$32.9 million. The Agreement requires ECHDC to submit an annual report to NYPA to show that this stream of payments is being expended in accordance with the terms. The balance of this payment stream is deferred for specific performance by ECHDC.

Note 14 - Appropriations Repayable Under Prescribed Conditions

A recapitalization of ESD, involving the State and New York State Project Finance Agency ("PFA"), a corporate governmental agency constituting a public benefit corporation, took place during the years 1975 through 1978. PFA was created to provide funds to ESD to complete its outstanding development projects.

The appropriations repayable under prescribed conditions originated from the recapitalization of ESD. The State advanced \$162.6 million to ESD and \$198.1 million to PFA. The PFA obligation was assigned to ESD increasing the total amount repayable to \$360.7 million. Since 1978, ESD has repaid \$163.1 million to the State. The remaining balance of the obligation at March 31, 2022 and 2021 amounted to \$197.6 million.

The "prescribed conditions" for repayment require that at no time shall the Director of the Budget of the State of New York ("Director") request repayment of an amount greater than the excess of ESD's aggregate revenues and receipts from operations (excluding borrowings, proceeds of sales of assets and appropriations) during its preceding fiscal year over the aggregate amount payable by ESD during the preceding fiscal year for expenses (including reasonable reserves for contingencies as approved by the Director) and debt service (without regard to any refunding of debt).

Note 14 - Appropriations Repayable Under Prescribed Conditions, Continued

The prescribed conditions for repayment were modified in 1997 by the provisions of Chapter 309 of the Laws of 1996 which require that resources provided by ESD's corporate purpose bonds, issued in connection with a 1996 refunding of ESD's original bonds (the "1996 Refunding") be made available to assist the New York Job Development Authority ("JDA") in meeting its lawfully incurred debts and obligations through the year 2012, and to provide up to $10 million over four years for ESD's Housing Repairs and Modernization Fund.

It is also anticipated that the $27.4 million due from JDA for reimbursement to ESD for administrative expenses incurred on behalf of JDA as of March 31, 2022 ($27.4 million as of March 31, 2021), may also be credited against appropriations repayable under prescribed conditions. ESD has accrued interest on the amount due from JDA since 1997. The interest rate used is the annualized average weighted yield earned by ESD on its investment portfolio. The cumulative interest earned, which covers the last twenty-seven fiscal years, is $8.6 million.

Note 15 - Retirement Plans

(a) Deferred Compensation and Post-employment Benefits

Some employees of ESD have elected to participate in the State's deferred compensation plan in accordance with Internal Revenue Code section 457. ESD has no liability related to this plan.

Continued health insurance coverage is the only post-employment benefit provided to ESD retirees. The coverage is provided to former employees at a shared rate. It is administered through the New York State Department of Civil Service Employee Benefits Division. Full-time employees who are vested and choose to terminate employment or who retire and draw a pension from the New York State and Local Employees' Retirement System ("ERS" or the "System") are eligible for this benefit.

(b) New York State and Local Employees' Retirement System

ESD participates in the System. This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits, as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Corporation (the "Retirement Corporation"), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Retirement Corporation and is the administrative head of the System. The System benefits are established under the provision of the New York State Retirement and Social Security Law. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

Note 15 - Retirement Plans, Continued

(b) New York State Employees' Retirement System, Continued

The Retirement Corporation also participates in the Public Employees Group Life Insurance Plan, which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System began as noncontributory and then employees who joined after July 27, 1976, contribute three percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 and before April 1, 2012 generally contribute three percent of their salary for their entire length of service. Those joining on or after April 1, 2012 are required to contribute between three and six percent, dependent on salary, throughout their working careers. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows (in thousands):

2022	$ 4,473
2021	3,925
2020	3,771

(c) Pension Liabilities. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At March 31, 2022 and 2021, ESD reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2021 and 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. ESD's proportionate share of the net pension liability was based on a projection of its long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to ESD (in thousands).

	2022	2021
Actuarial valuation date	4/1/2020	4/1/2019
Net pension liability	$ 94	25,046
Corporation's proportion of the Plan's net pension liability	0.0947195%	.0945836%
Change in proportionate share	0.0001359%	.0008127%

Note 15 - Retirement Plans, Continued

(c) Pension Liabilities. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

For the years ended March 31, 2022 and 2021, ESD recognized ERS pension expense of $2.4 million and $8.7 million, respectively. At March 31, 2022 and 2021, ESD's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	March 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,152	-
Changes in assumptions	17,341	327
Net difference between projected and actual earnings on pension plan investments	-	27,093
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	306	-
Corporation's contributions subsequent to the March 31, 2021 measurement date	4,473	-
Total	$ 23,272	27,420

	March 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,474	-
Changes in assumptions	504	435
Net difference between projected and actual earnings on pension plan investments	12,840	-
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	395	-
Corporation's contributions subsequent to the March 31, 2020 measurement date	3,925	-
Total	$ 19,138	435

Note 15 - Retirement Plans, Continued

(c) Pension Liabilities. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

ESD contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended	ERS
2022	$ (1,470)
2023	(492)
2024	(1,448)
2025	(5,211)
	$ (8,621)

(d) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The significant actuarial assumptions used in the valuations were as follows:

Measurement date	March 31, 2021
Actuarial valuation date	April 1, 2020
Interest rate	5.9%
Salary scale	4.4% Average
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each of the target asset allocation percentage and adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Note 15 - Retirement Plans, Continued

(d) Actuarial Assumptions, Continued

Measurement date	March 31, 2021	
	Real Rate of Return*	Target Allocation
Asset type:		
Domestic equity	4.05%	32.0%
International equity	6.30%	15.0%
Private equity	6.75%	10.0%
Real estate	4.95%	9.0%
Opportunistic/ARS portfolio	4.50%	3.0%
Credit	3.63%	4.0%
Real assets	5.95%	3.0%
Fixed income	0.00%	23.0%
Cash	0.50%	1.0%
		100.0%

*Real rate of return is net of long-term inflation assumption of 2.00%.

(e) Discount Rate

The discount rate used to calculate the total pension liability as of the March 31, 2021 measurement date was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(f) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents ESD's proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what ESD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9%) or 1-percentage point higher (6.9%) than the current rate (in thousands):

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension (asset) liability	$ 26,178	94	(23,961)

Note 15 - Retirement Plans, Continued

(g) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of all participating employers as of the respective valuation dates, were as follows:

	(Dollars in Millions)	
Valuation date	4/1/2020	4/1/2019
Employers' total pension liability	$(220,680)	(194,596)
Plan net position	220,580	168,116
Employers' net pension liability	$ (100)	(26,480)
Ratio of plan net position to the Employers' total pension liability	99.9%	86.4%

(h) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31. Retirement contributions as of March 31, 2022 and 2021 represent the projected employer contributions for the period of April 1, 2020 through March 31, 2021 and April 1, 2019 through March 31, 2020, respectively, based on paid ERS wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying consolidated financial statements.

(i) New York State Voluntary Defined Contribution Program

In March 2012, Chapter 18 of the Laws of 2012 was signed into law and allowed ESD employees, that met certain requirements, to participate in the State University of New York ("SUNY") optional retirement plan called the NYS Voluntary Defined Contribution Plan ("VDC Program").

Beginning July 1, 2013, employees who earned $75,000 or more were given the option of joining either the VDC program or the ERS. The VDC program provides benefits that are based on contributions made by both ESD and the participant. Employee contribution rates range from 4.5% to 6%, dependent upon annual salary. The employer contribution rate is 8% of gross income. All contributions and any subsequent earnings are held by ESD in a segregated account and credited to individual accounts for each plan participant. Employees vest after one year of service, at which time their entire account balance is transferred to an investment firm of their choosing within the VDC program. The amount owed to participants upon retirement is based solely on the account balance at the time of withdrawal. ESD's involvement with an employee's account ends at that time.

As of March 31, 2022 and 2021, there were 41 and 45, respectively, ESD employees enrolled in the VDC Program.

Note 16 - Commitments and Contingencies

Commitments and contingencies at March 31, 2022 consist of the following:

(a) Legal Actions

General

ESD and its subsidiaries are named as defendants in legal actions arising in the normal course of its economic development operations, including matters regarding employment, alleged breach of contract, condemnation proceedings and other claims under federal and New York State law. In addition, defendants in mortgage loan foreclosure proceedings initiated by ESD assert defenses and counterclaims for damages. ESD believes that the ultimate outcome of legal actions arising in the normal course of operations will not have a material adverse effect on its financial condition.

ESD and/or its subsidiaries are also named as defendants in many personal injury actions allegedly arising out of accidents occurring on land or buildings owned by ESD and/or its subsidiaries. In all such cases, the potential liability of ESD and/or its subsidiaries is minimal inasmuch as the claims are covered either by ESD's own liability insurance or by indemnity insurance required by ESD from the tenants and/or developers of the sites of the alleged accidents or by contractors. A sole potential exception to the foregoing is a personal injury action against ESD arising out of construction work at the Moynihan Station project. At the outset of the project, ESD agreed to a self-insured retention ("SIR") of $1 million to be applied to any personal injury case prior to insurance recovery. It is as yet unknown if this SIR will be triggered but, if it is, ESD has made provision to pay the same.

Atlantic Yards Land Use Improvement and Civic Project

With respect to the Atlantic Yards Land Use Improvement and Civic Project (the "Project"), located in Brooklyn, New York, ESD has exercised its powers under the New York State Eminent Domain (condemnation) Procedure Law in three proceedings.

ESD filed its first condemnation petition in December 2009 to obtain title to certain private Phase I properties needed for the Project; ESD took title to such properties pursuant to court order in March 2010; and ESD obtained vacant possession of such properties in May 2010. Claims for additional compensation have been settled or adjudicated and paid. The one remaining issue in this proceeding is the valuation of the last of the condemned properties: a former six-story building.

Note 16 - Commitments and Contingencies, Continued

(a) Legal Actions, Continued

Atlantic Yards Land Use Improvement and Civic Project, Continued

On November 21, 2019, ESD filled its third condemnation petition to obtain title to properties needed for Phase III, the final phase of the Project, consisting of two lots designated as Site 5. The developer now owns one of the lots. All outstanding litigation regarding the other lot has bee settled. The owner of that other lot and the developer entered into a purchase and sale agreement regarding disposition of the lot to the developer. The injunction regarding the lot has been lifted, and all claims against ESD are released. ESD has no further liability regarding this litigation

Pursuant to the Project contract with the developer, all condemnation awards are to be paid by the Project developer, not ESD. Therefore, any litigation arising from the remaining eminent domain proceeding is not expected to have a material adverse effect on ESD's financial position.

(b) Contingencies

Lower Manhattan Development Corporation ("LMDC")

LMDC's activities are funded by HUD and are governed by various federal rules and regulations. Costs charged to the HUD grants are subject to audit and adjustment by HUD; therefore, to the extent that HUD determines that LMDC or its subrecipients have not complied with the rules and regulations governing the grants, LMDC may be required to reimburse HUD for any noncompliant disbursements. If such reimbursement resulted from the failure of a subrecipient to comply with its obligations, LMDC would seek to recover such funds from such subrecipient either through an actual payment, or by reducing future disbursements. There is no assurance that in such circumstances LMDC would succeed in effecting such recovery. In the opinion of LMDC's management, there are no material contingent liabilities relating to compliance with the rules and regulations governing the HUD grants, therefore; no provision has been recorded in the accompanying financial statements for such contingencies.

(c) Construction

The Corporation has contracts in place for construction at several sites, which are in varying states of completion. The total value of contracts outstanding at March 2022 is approximately $184 million.

Note 16 - Commitments and Contingencies, Continued

(d) Lease Commitments

In June 2013, ESD entered into a lease with 633 Third TEI Equities LLC for five units consisting of the entire 33rd through 37th floors at 633 Third Avenue, New York, NY. The lease term commenced on July 1, 2013 and terminates on June 30, 2023. There is also a renewal provision of five years commencing July 1, 2023 and terminating June 30, 2028. Escalation provisions exist for both operating expenses and taxes (real estate, water consumption, sewer rents, rates and charges, county, transit or any other governmental charge of a similar nature).

Minimum lease payments to be paid under the lease agreement for each of the next two fiscal years as of March 31, 2022 are as follows (excluding escalations and option period) (in thousands):

2023	$ 7,124
2024	1,782
Total	$ 8,906

Note 17 - Accounting Standards Issued But Not Yet Implemented

GASB issued Statement No. 95 - "Postponement of the Effective Dates of Certain Authoritative Guidance." This Statement, issued in May 2020, has the primary objective of providing temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. The following disclosures have been updated accordingly.

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2021, which is the fiscal year beginning April 1, 2022 for the Corporation. Management is in process of evaluating the potential impact due to the implementation of this Statement on the consolidated financial statements of the Corporation.

Note 17 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 91 - "Conduit Debt Obligations." This Statement, issued in May of 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, which is the fiscal year beginning April 1, 2022 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the consolidated financial statements of the Corporation.

GASB Statement No. 92 - "Omnibus 2020." This Statement, issued in January 2020, clarifies implementation of GASB Statements No. 73, 74, 84 and 87, generally effective for fiscal years beginning after June 15, 2021, which is the fiscal year beginning April 1, 2022 for the Corporation. Management is in the process of evaluating the potential impact of this Statement on the consolidated financial statements of the Corporation.

GASB Statement No. 93 - "Replacement of Interbank Offered Rates." This Statement, issued in March 2020, addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. The requirements of this Statement are effective for reporting periods after June 15, 2021, which is the fiscal year beginning April 1, 2022 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the consolidated financial statements of the Corporation.

GASB Statement No. 94 - "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." This Statement, issued in March 2020, addresses issues related to public-private and public-public partnerships (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, which is the fiscal year beginning April 1, 2023 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the consolidated financial statements of the Corporation.

GASB Statement No. 96 - "Subscription-Based Information Technology Arrangements." This Statement, issued in May 2020, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. To the extent relevant, the standard for SBITAs are based on the standards established in Statement No. 87 - "Leases," as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, which is the fiscal year beginning April 1, 2023 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the consolidated financial statements of the Corporation.

Note 17 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 97 - "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32." This Statement, issued in June 2020, sets requirements for a primary government's determination of component units which do not have governing boards; amends the financial burden criterion in paragraph 7 of Statement No. 84; sets required classifications for Section 457 plans and applies Statement No. 84, as amended, to IRC Section 457 arrangements; and supersedes remaining provisions of Statement No. 32, as amended, regarding investment valuation requirements for Section 457 plans. The requirements of this Statement in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021 which is the fiscal year beginning April 1, 2022 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the consolidated financial statements of the Corporation.

GASB Statement No. 99 - "Omnibus 2022." This Statement, issued in April 2022, enhances the comparability in accounting and financial reporting and improved the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for various periods through fiscal years beginning after June 15, 2023. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the consolidated financial statements.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Required Supplementary Information
Schedule of Changes in the Corporation's
Total OPEB Liability and Related Ratios
Year ended March 31, 2022

Total OPEB liability (in thousands):	2022	2021	2020	2019
Service cost	$ 10,547	10,678	6,694	6,503
Interest on total OPEB liability	3,883	3,558	5,373	5,012
Difference between expected and actual experience	12,495	(1,956)	(9,236)	-
Changes in assumptions	(4,184)	(3,765)	15,922	(654)
Benefit payments	(3,447)	(3,226)	(2,885)	(2,802)
Net change in total OPEB liability	19,294	5,289	15,868	8,059
Total OPEB liability at beginning of year	152,954	147,665	131,797	123,738
Total OPEB liability at end of year	$ 172,248	152,954	147,665	131,797
Covered payroll	$ 29,552	29,646	31,564	28,136
Total OPEB liability as a percentage of covered payroll	582.9%	515.9%	467.8%	468.4%

Notes to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2022	2.67%
2021	2.40%
2020	2.27%
2019	3.92%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Corporation is presenting information for those years for which information is available.

There are no assets accumulated in a trust that meet the criteria in GASB Statement No. 75, paragraph 4.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Required Supplementary Information
Schedule of Corporation's Proportionate Share of the Net Pension Liability
Year ended March 31, 2022

NYSERS Pension Plan (in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Corporation's proportion of the net pension liability	0.0947195%	0.0945836%	0.0937709%	0.0900706%	0.0892992%	0.0864938%	0.0882936%	0.0882936%
Corporation's proportionate share of the net pension liability	$ 94	25,046	6,644	2,907	8,391	13,883	2,983	3,989
Corporation's covered payroll	$ 29,646	29,067	28,156	26,991	26,913	25,802	25,039	23,312
Corporation's proportionate share of the net pension liability as a percentage of its covered - employee payroll	0.32%	86.17%	23.60%	10.77%	31.18%	53.81%	11.91%	17.11%
Plan fiduciary net position as a percentage of the total pension liability	99.9%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.9%

The amounts presented for each fiscal year were determined as of the March 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 measurement dates of the plans.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Corporation is presenting information for those years for which information is available.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Required Supplementary Information
Schedule of Corporation's Employer Pension Contributions
Year ended March 31, 2022

NYSERS Pension Plan (in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 4,473	3,925	3,771	3,729	3,767	3,575	4,327	4,473	5,217	4,328
Contributions in relation to the contractually required contribution	4,473	3,925	3,771	3,729	3,767	3,575	4,327	4,473	5,217	4,328
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
Corporation's covered payroll	$ 29,646	29,067	28,156	26,991	26,913	25,802	25,039	23,312	22,475	22,945
Contributions as a percentage of covered payroll	15.09%	13.50%	13.39%	13.82%	14.00%	13.86%	17.28%	19.19%	23.21%	18.86%

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
New York State Urban Development
Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the consolidated financial statements of the New York State Urban Development Corporation and Subsidiaries (the "Corporation"), a component unit of the State of New York, as of and for the year ended March 31, 2022, and the related notes to consolidated financial statements, and have issued our report thereon dated June 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 15, 2022

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Board of Directors
New York State Urban Development
Corporation:

Report on Investment Program Compliance

Opinion on Investment Compliance

We have audited the New York State Urban Development Corporation and Subsidiaries' (the "Corporation"), a component unit of the State of New York, compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York for the year ended March 31, 2022.

In our opinion, the New York State Urban Development Corporation and Subsidiaries complied, in all material respects, with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York for the year ended March 31, 2022.

Basis for Opinion Investment Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Investment Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on investment compliance. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Investment Compliance

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York.

Auditor's Responsibilities for the Audit of Investment Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. 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 generally accepted auditing standards and Government Auditing Standards, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's investment compliance.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over investment compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over investment compliance but not for the purpose of expressing an opinion on the effectiveness of Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over investment compliance that is less severe than a material weakness in internal control over investment compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over investment compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Investment Compliance section above and was not designed to identify all deficiencies in internal control over investment compliance that might be material weaknesses or significant deficiencies in internal control over investment compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over investment compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over investment compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over investment compliance. Accordingly, no such opinion is expressed.

This report is intended solely for the information and use of management of the Corporation, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 15, 2022