NEW YORK STATE URBAN DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
And Independent Auditors' Report

March 31, 2023 and 2022

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES

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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, 2023 and 2022, 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, 2023 and 2022 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.

Emphasis of Matter

As discussed in note 2(p) to the consolidated financial statements, the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87 - "Leases," during the year ended March 31, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 audits 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 69 through 71 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 GASB 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 13, 2023 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 13, 2023

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES

Management's Discussion and Analysis

March 31, 2023 and 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, 2023 and 2022. This analysis should be read in conjunction with the Corporation's consolidated fiscal 2023 and 2022 financial statements.

Overview

During fiscal year 2023, 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 focused on micro and small businesses and for-profit independent arts and cultural organizations were created to meet the needs of businesses that remained adversely affected. In addition, the Office of Strategic Workforce Development was established to support workforce and economic development initiatives throughout the state, such as training, internships and other efforts. Through these and other programs, some of which received federal awards, 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.

Economic Development Programs and Initiatives

ESD manages a number of programs addressing critical economic development opportunities and the following summarizes several fiscal year 2023 activities:

ConnectALL

During fiscal year 2023, ESD established the ConnectALL Office (“CAO”) pursuant to the NYS WIRED Broadband Act, to “assist in ending the digital divide, supporting a more robust and competitive internet marketplace, and carrying out other actions to ensure universal access to high-speed, reliable, and affordable broadband”. The CAO inherited all the functions and obligations of the $500 million New NY Broadband Program, including the statewide portfolio of broadband deployment projects, and a new mandate to invest over $1 billion in new public funding. The Governor identified five signature grant programs for implementation by the CAO that support increased infrastructure and pioneering solutions to make broadband and internet available to all New Yorkers in all areas of the State.

The CAO took significant steps to begin implementation of these programs and its broader mandate from the NYS WIRED Broadband Act to “coordinate the activities of all state agencies performing functions affecting access to high-speed, reliable, and affordable broadband, conduct research and analyses of matters affecting access to high-speed, reliable, and affordable broadband, and provide advisory assistance to municipalities, state and local authorities, and other entities to expand access to high-speed, reliable, and affordable broadband.” The CAO also secured several federal grants, partnered with various entities to complete the first open access fiber infrastructure project in New York and actively participated in the creation of an interactive, address-level broadband map.

Office of Strategic Workforce Development

During fiscal year 2023, a new investment of $350 million for workforce development and the creation of the Office of Strategic Workforce Development ("OSWD") within ESD was announced, creating a new division charged with better aligning workforce development efforts with the needs and priorities of today's employers. As part of this investment, OSWD will administer $150 million for workforce development grant programs to create new economic opportunities for unemployed, underemployed, and underrepresented workers, while simultaneously meeting the labor needs of the state's highest-growth industry sectors. Since formally launching in October 2022, OSWD has announced two rounds of grant awards totaling over $13 million to 22 workforce development projects across the state which will train over 6,600 New Yorkers for over 200 business partners.

Economic Development Programs and Initiatives, Continued

Small Business Programs

Through programs administered by ESD, New York State has helped small businesses secure billions in financial assistance and provided mentorship, training, and technical assistance to tens of thousands of firms and small businesses.

Capital Access Programs

ESD supports small businesses with technical assistance in securing their financing needs. ESD provided $1.4 million in Community Development Financial Institution ("CDFI") grants to 22 CDFIs that provide capital and direct assistance to New York State small businesses. In addition, ESD launched a multi-year $25 million New York State CDFI Fund in partnership with the New York State Department of Financial Services. In total, 31 CDFIs were selected to receive a financial inclusion grant to support access to safe and affordable banking services in historically underserved and low-income communities across New York State.

ESD continues to successfully support businesses through the Linked Deposit Program and the New York State Trust Fund providing $24.8 million and $0.8 million in loans, respectively.

Further, ESD continued to administer COVID-19 related programs and other initiatives to help small businesses with retention and survival. The $800 million COVID-19 Pandemic Small Business Recovery Grant Program, created to assist COVID-19 impacted small business in New York State, successfully disbursed the entirety of the available funding to nearly 41,000 small businesses. This program provided flexible grants of $5,000 to $50,000, with an average award of just over $18,000.

During fiscal year 2023, ESD has also fully deployed the following programs: Small Business Revolving Loan Fund - $302.9 million in loans; Surety Bond Assistance Program - $100.9 million in surety bond capacity; and Bridge to Success Loan Program - $41.6 million in loans.

State Small Business Credit Initiative (SSBCI)

In fiscal year 2023, New York State, through ESD, received an allocation of up to $501.6 million for the State Small Business Credit Initiative ("SSBCI") from the U.S. Treasury in support of a range of small business credit and investment programs that target very small businesses and socially and economically disadvantaged individual owned businesses. The suite of programs under this initiative will provide access to capital, loan loss reserves, loan guarantees, loan participation, venture capital and manufacturing financing assistance to businesses across the State. The programs include six debt and four equity programs that will provide direct loans for capital investments, short-term microloans to new businesses and underbanked communities, access to bonds for publicly funded projects, working capital to contractors and equity investments in seed, early stage and high-growth companies.

Economic Development Programs and Initiatives, Continued

Small Business Programs, Continued

Entrepreneurship, Venture and Commercialization Support

ESD assists entrepreneurs through the Entrepreneurship Assistance Centers ("EAC") which give vital courses and classes in how to start and run a business. The EAC assisted over 2,000 clients in launching new businesses and expanding existing businesses.

ESD provided counseling to small businesses with Business Mentor NY, which is the State's first one-on-one pro bono mentoring program, geared to help small businesses overcome challenges and spur growth. Since its inception, over 13,000 mentors and entrepreneurs have enrolled and over 6,000 engagements have been initiated. ESD's small business team also provided direct business assistance to nearly 5,000 small businesses across the State.

ESD also manages the NY Ventures investment funds, including the $100 million NYS Innovation Venture Capital Fund ("NYSIVCF" or the "Fund"). This Fund invests in eligible seed and early-stage small businesses located in, 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.

Division of Science, Technology and Innovation

ESD's Division of Science, Technology, and Innovation ("NYSTAR") supports over 70 centers that help companies commercialize technologies and access the research and development capabilities of universities and the private sector. NYSTAR is part of the federal NIST Manufacturing Extension Partnership ("MEP") and through this funding supports a network of 11 MEPs.

Life Sciences

ESD's Life Sciences program (the "Program") offers grants and contracts to enhance commercial life science activity across the State, supporting emerging life science communities and capturing new opportunities from novel capabilities and breakthrough technologies. Since its launch in 2017, the Program has directly contributed to building the State's life science sector through generating $1.5 billion of leveraged investment in the state; incentivizing 17 new life science companies to locate in the State; and creating more than 500 direct jobs in New York.

Economic Development Programs and Initiatives, Continued

Capital Program Initiatives

Through initiatives administered by ESD, New York State continues to facilitate the development of both large- and small-scale projects. During fiscal year 2023, the $800 million New York State Regional Economic and Community Assistance Program was established to support projects, purposes and other initiatives that foster regional workforce and commercial development, tourism and infrastructure improvement, community and urban revitalizations, small business support, local community priority projects, and other economic development purposes. In addition, $600 million was provided for the construction of a new stadium in Orchard Park, New York for the Buffalo Bills professional football team. Funding of $350 million was also provided for the Long Island Investment Fund to support projects located within Nassau and Suffolk counties, including, but not limited to support of manufacturing, agriculture, business parks, community anchor facilities, advanced technology, biotechnology and biomedical facilities, and main street revitalization.

Regional Economic Development Councils ("REDC's")

To enhance ESD's business outreach and emphasize local priorities, New York's REDC initiative was established in fiscal year 2011, supported, in part, by funding via the Regional Council Capital Fund as part of the State's fiscal year budget. Since that time, the Regional Council Capital Fund, which is administered by ESD, has made available over $1.5 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.

During fiscal year 2023, the ESD Directors and Chief Executive Officer ("CEO") approved financial assistance to over 300 companies and organizations respectively, through the REDC initiative and other programs. The programs include the Buffalo Regional Innovation Cluster, New York Works Economic Development Fund, Empire State Economic Development Fund, Market NY Program, Upstate Revitalization Initiative, Lake Ontario Resiliency and Economic Development Program, COVID-19 Pandemic Small Business Seed Funding Grant Program, and Restore NY Communities Initiative, all of 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 the fiscal year, ESD's $373.4 million investment is expected to leverage an additional $1.0 billion of total investment, resulting in the retention and creation of over 7,000 jobs.

Economic Development Programs and Initiatives, Continued

Buffalo Regional Innovation Cluster

The Buffalo Regional Innovation Cluster (the "Program") was established in fiscal year 2013 with a $1 billion investment in Western New York to promote sustainable private sector investment and job creation in Western New York. The Program is focused on three core economic sectors that show the best promise for job creation (i.e., advanced manufacturing, health and life sciences and tourism) and three core enabling strategies (i.e., the promotion of innovation/entrepreneurship, workforce development and the use of placemaking/smart growth principles). Projects were developed to be large, catalytic and transformative, each best leveraging the region's assets. These included new institutions like the Northland Workforce Training Center and redevelopment of the sprawling former industrial area that surrounds it on Buffalo's East Side; the establishment of Buffalo Manufacturing Works, a not-for-profit consulting entity that provides know-how to help local manufacturers to innovate and expand; and initial acquisition and redevelopment activities on Buffalo's Outer Harbor waterfront. In fiscal year 2018, an additional $400 million was allocated in ESD's State budget to launch a second phase of the Program, intended to build upon the success of existing projects/programs and focused on smaller-scale neighborhood efforts to expand economic opportunities to all Western New Yorkers. Among the activities in Phase II is the multipronged East Side Corridor Economic Development Fund which established small business grant programs in key East Buffalo business districts and revitalization of iconic community anchors like MLK Park, Broadway Market, and the Buffalo Central Terminal; a Western New York Workforce Development Challenge, which provides grants to smaller not-for-profit entities for training and job placement programs following the model PILOTed at the Northland Workforce Training Center; and a Strategic Land Acquisition Program in downtown Niagara Falls, which is freeing up land parcels held for decades for speculative purposes and making them available for sensitive downtown infill development.

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. During fiscal year 2023, business marketing efforts

Economic Development Programs and Initiatives, Continued

Marketing, Including COVID-19 Pandemic Assistance, Continued

remained focused on promoting programs designed to support NYS businesses as they continue their recovery from COVID-19. These programs were primarily targeted to small businesses and businesses in underserved communities. The tourism industry also continued its recovery with New York City remaining a core focus of overall marketing efforts as international travel was still lagging behind pre-COVID-19 levels.

Economic Development Tax Incentives

Following is a subset of tax incentive programs administered by ESD. These programs are established in statute and ESD works with the Department of Tax and Finance to effectuate the goals of the various programs. Each of these programs abate taxes collected by the State. ESD has no authority to tax and collects no taxes.

Excelsior Jobs Program

ESD administers the Excelsior Jobs Program ("Excelsior") that provides job creation and investment incentives to firms in certain targeted industries ranging from biotechnology to manufacturing. Businesses in these industries that create net new jobs and maintain existing jobs or make significant financial investments in New York State are eligible to apply for up to five tax credits. Excelsior offers enhanced tax credits for "green projects" which is an initiative that makes products or develops technologies that are primarily aimed at reducing greenhouse gas emissions or supporting the use of clean energy. Excelsior also incentivizes green CHIPS projects in the semiconductor industry that meet specific Program requirements to address the national semiconductor chip shortage.

New York State Film Tax Credit Program

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 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.

Economic Development Tax Incentives, Continued

New York City Musical and Theatrical Production Tax Credit Program

ESD administers the NYC Musical and Theatrical Tax Credit Program (the "Program") which is designed to jump start the entertainment industry and support tourism in NYC. The Program encourages Musical and Theatrical productions to begin performances sooner and come back stronger. The Program will offset some of the additional costs associated with producing a show as New York's economy continues to recover from COVID-19. Qualified production companies that perform and conduct productions at qualified production facilities in NYC can receive fully refundable tax credits of 25 percent of qualified production expenditures. This $200 million Program has a $3 million dollar cap per project.

Empire State Musical and Theatrical Production Tax Credit Program

ESD administers the Empire State Musical and Theatrical Production Tax Credit Program (the "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 (the "Program") which closed to new applicants on May 1, 2022. This Program provided an incentive to COVID-19-impacted restaurant businesses that brought restaurant staff back-to-work and increased hiring. Businesses were 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 $100,000 per business. $35 million was made 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.

COVID-19 Capital Costs Tax Credit Program

ESD administers the $250 million COVID-19 Capital Costs Tax Credit Program (the "Program") which provides financial assistance to New York State small businesses burdened with a range of operational costs stemming from the COVID-19 pandemic, from structural changes and building

Economic Development Tax Incentives, Continued

COVID-19 Capital Costs Tax Credit Program, Continued

upgrades to health-related supplies and materials. The Program offers qualifying businesses relief from the added economic burden by providing tax credits to help reduce the pandemic-related financial impact. Qualifying businesses are eligible for a tax credit of 50% of qualifying expenses, up to a maximum of $25,000 in tax credits based on qualifying expenses of $50,000.

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. In June 2017, Phase 1 completed a new commuter concourse underneath the Farley Building grand staircase. 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 2023, MSDC achieved final completion of the construction required for the planned relocation of Amtrak intercity rail operations from existing Pennsylvania Station into a redeveloped Farley Building.

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

Subsidiaries and Economic Development Projects, Continued

New York Convention Center Development Corporation, Continued

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 was the development of a transformer (electrical) building and relocation of certain utilities.

As part of the funding sources of the expansion, CCDC 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 CCDC bond proceeds.

During fiscal year 2023, the expansion was completed within established contract amounts, all operating permits were received, and efforts continue toward securing a permanent Certificate of Occupancy.

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 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.

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 and Health and Human Services and is administered through the New York State Homes and Community Renewal. It improves the quality of life of Harlem residents and plays an

Subsidiaries and Economic Development Projects, Continued

Harlem Community Development Corporation, Continued

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. The U.S. Department of Housing and Urban Development ("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, 2023, 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. Eight residential buildings have been completed with 43% as affordable units. Local retail amenities, NY Presbyterian healthcare offices, a public middle school, and an indoor recreational facility are either open or under development.

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.

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 $179 million of public funding into the region's waterfront with a private investment return of over $500 million.

Subsidiaries and Economic Development Projects, Continued

Erie Canal Harbor Development Corporation, Continued

During fiscal 2023, the following occurred: (i) year-round events and activities continued at Canalside; (ii) construction of a mixed-use development continued at Heritage Point, the remaining South Aud Block parcels, with an expected opening in late summer 2024; and (iii) 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 48 projects and is actively working on nine other projects in various stages of development, totaling approximately $474 million.

These efforts represent a balance between strategic redevelopment of underutilized existing assets and progressive facilitation of new growth toward redevelopment in a manner that embodies the best principles of sound sustainable community and tourism development. 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.

During fiscal 2023, USAN continued efforts on the following projects: (i) 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; (ii) 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; and (iii) 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 included Wolfspeed-Marcy Nanocenter (Nano Utica Project), Regeneron Pharmaceuticals, 2023 World University Games and the Ronkonkoma Hub.

The following is a summary of the Corporation's financial information as of and for the years ended March 31, 2023, 2022 and 2021:

SUMMARY OF CONSOLIDATED STATEMENTS OF NET POSITION

	2023	2022*	2021
		(In thousands)	
Assets			
Current assets:			
Cash, equivalents and temporary investments	$ 216,713	216,095	216,390
Other current assets	6,780,656	7,675,678	4,747,062
Total current assets	6,997,369	7,891,773	4,963,452
Non-current assets:			
Investment securities restricted or designated for state revenue bonds	-	-	49
Loans and financing arrangements receivable	70,577	85,992	104,318
Due from State of New York	12,362,971	13,448,876	15,531,729
Due from New York Job Development Authority	27,878	27,400	27,407
Capital assets, net	4,928,493	5,052,839	4,977,009
Lease receivable	167,308	167,700	-
Other non-current assets	151,342	169,221	178,801
Total non-current assets	17,708,569	18,952,028	20,819,313
Total assets	24,705,938	26,843,801	25,782,765
Deferred outflows of resources	34,568	42,868	89,420
Liabilities			
Current liabilities:			
Bonds and notes payable	706,938	1,420,043	1,255,701
Other current liabilities	474,949	390,534	442,703
Total current liabilities	1,181,887	1,810,577	1,698,404
Non-current liabilities:			
Bonds and notes payable	18,586,176	20,052,835	19,183,780
Other non-current liabilities	432,793	317,188	287,254
Total non-current liabilities	19,018,969	20,370,023	19,471,034
Total liabilities	20,200,856	22,180,600	21,169,438
Deferred inflows of resources	464,685	447,222	307,242
Minority interest	422,635	449,616	478,761
Net position			
Restricted:			
Appropriations repayable under prescribed conditions	197,554	197,554	197,554
Other restricted for specific purposes	181,759	250,755	213,389
Total restricted	379,313	448,309	410,943
Net investment in capital assets	3,273,017	3,360,922	3,505,801
Total net position	$ 3,652,330	3,809,231	3,916,744

* Restated for implementation of GASB Statement No. 87.

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

	2023	2022*	2021
		(In thousands)	
Operating revenue:			
Interest and finance income from:			
Residential projects	$ 5,197	6,071	3,005
Nonresidential projects	26,810	11,304	13,205
Interest on state revenue bonds	-	-	17
Hotel tax revenue	46,332	22,191	22,530
Reimbursed grants	147,655	121,227	172,475
Economic development grants	1,023,898	1,248,599	530,777
State appropriation for programs	831	326	188,105
Other revenue	92,871	115,775	44,485
Total operating revenue	1,343,594	1,525,493	974,599
Operating expenses:			
Interest on state revenue bonds	-	-	17
Interest on subsidiary project bonds	43,615	44,046	27,985
Reimbursed grants	49,647	38,194	35,677
Economic development grants	1,029,222	1,255,296	535,656
General and administrative	185,871	154,583	95,810
Subsidiary program and administrative	40,846	34,474	18,819
Pollution remediation	-	175	-
Provision for loss on loans and financing arrangements receivable and investments in other assets	400	883	763
Depreciation	176,536	155,292	56,124
Total operating expenses	1,526,137	1,682,943	770,851
Minority interest	26,981	29,144	(48,412)
Operating income (loss)	(155,562)	(128,306)	155,336
Non-operating revenue	886,174	832,859	755,731
Non-operating expenses - interest and other costs on state revenue bonds	887,513	815,626	759,657
Change in net position	(156,901)	(111,073)	151,410
Net position at beginning of year, as previously stated	3,809,231	3,916,744	3,765,334
Cumulative effect of change in accounting principle	-	3,560	-
Net position at beginning of year, as restated	3,809,231	3,920,304	3,765,334
Net position at end of year	$ 3,652,330	3,809,231	3,916,744

* Restated for implementation of GASB Statement No. 87.

Liquidity

The Corporation's cash, equivalents and temporary investments totaled approximately $216.7 million, $216.1 million and $216.4 million at March 31, 2023, 2022 and 2021, respectively. During fiscal 2023, the $0.6 million increase was primarily due to increases in payments related to non-residential projects and interest income on investments.

During fiscal 2022, the $0.3 million decrease was primarily due to decreases in the receipt of payments related to non-residential projects.

Capitalization

As of March 31, 2023, 2022 and 2021, ESD had $17.6 billion, $19.7 billion and $18.8 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 fully funded by New York State.

Fiscal Year Ended March 31, 2023

In October 2022, ESD issued $1,457.7 million in State Personal Income Tax Revenue Bonds: $1,409.8 million Series 2022A (Tax-Exempt) and $47.9 million Series 2022B (Federally Taxable) (the "Series 2022 Bonds"). The Series 2022 Bonds were issued for the purpose of financing Authorized Purposes, including (i) finance, refinance or reimburse all or a portion of the costs of certain programs and projects within the State, including but not limited to Correctional Facilities, Division of Military and Naval Affairs, Division of State Police, Economic Development projects, Environmental projects, Housing, Information Technology projects, SAM, State Facilities, SUNY projects and Youth Facilities, (ii) refund certain State-supported debt previously issued by an Authorized Issuer, and (iii) pay certain costs relating to the issuance of the Series 2022 Bonds.

Fiscal Year Ended March 31, 2022

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 purpose 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.

Investment Ratings

As of March 31, 2023, 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	Aa1	AA+
State Personal Income Tax Revenue Bonds Series 2019A, 2019B	Aa1	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 fiscal year ended March 31, 2023 is $(156.9) million compared with $(111.1) million in fiscal year 2022, as restated. The $45.8 million decrease is primarily due to a reduction in the fair value of investments as well as an increase in depreciation expense due to the required reclassification of various capitalized accounts to capital assets related to the completion of the Javits Convention Center expansion project.

The change in net position for the fiscal year ended March 31, 2022 was $(111.1) million, as restated, compared with $151.4 million in fiscal year 2021. The $262.5 million decrease is primarily due to a reduction in New York State budget appropriation funding for the expansion of the Javits Convention Center, a decrease in expense reimbursement for the Moynihan Station Development Corporation project (the "Moynihan Train Hall") as well as an increase in interest expense related to the Moynihan Station Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA") loan and Convention Center Development Corporation ("CCDC") project bonds.

Revenue

Fiscal Year Ended March 31, 2023

Operating revenue in fiscal year 2023 is approximately $1,343.6 million compared with $1,525.5 million, as restated, in fiscal year 2022. The $181.9 million decrease is primarily due to the following:

- Economic development grants decreased by $224.7 million due to a decrease in activity within existing grant programs, including the following projects: COVID-19 Small Business Recovery Grant program, IBM AI Hardware Center, Applied Materials, Armstrong ATI Phase 3 and New York Power Electronics Manufacturing Consortium;
- Other revenue decreased by approximately $22.9 million mainly due to a decrease of $32.4 million in funding related to the State's worldwide advertising and marketing promotion campaign, $3.2 million in payments in lieu of taxes from the Atlantic Yards/Pacific Park Brooklyn project offset by increases of $6.5 million and $3.4 million in promotional revenue and PILOT/lease agreement revenue, respectively, related to the Moynihan Train Hall, $1.2 million in investment activity through the New York State Innovation Venture Capital Fund ("NYIVCF") and $1.6 million in grant repayment income; and
- Interest and finance income from residential projects decreased by $0.9 million due to a reduction in payment amounts in accordance with existing loan agreements.

Increases in operating revenue primarily occurred in the following categories:

- Reimbursed grants revenue increased by $26.5 million due to an increase of $45.8 million in funding for ECHDC, largely related to an advance of program support and $11.4 million in HUD grant funding to LMDC. This was offset by a decrease of $25.2 million in funding for the Moynihan Train Hall, $4.2 million in subsidiary grant income for HCDC and NYSTAR and $1.3 million in grant income as a result of decreased activity in existing programs;
- Hotel tax revenue increased by $24.1 million as a result of an increase in tourism due to the continued recovery from the impact of COVID-19;
- Interest and finance income from nonresidential projects increased by $15.5 million due primarily to an increase in income from nonresidential financing arrangements and interest earnings on related cash accounts; and
- State appropriation for programs increased by $0.5 million due to the recognition of an increase of $0.8 million of prior year funding for the Moynihan Train Hall offset by a decrease of $0.3 million in funding for USAN.

Revenue, Continued

Fiscal Year Ended March 31, 2023, Continued

Non-operating revenue is approximately $886.2 million in fiscal year 2023 compared to $832.8 million in fiscal year 2022. The $53.4 million increase is due primarily to an increase of $68.6 million in investment earnings and the change in the fair value of investments offset by decreases of $9.2 million in bond interest due to various defeasances during the fiscal year and $6.0 million due to the termination of the interest rate swap agreements in fiscal 2022.

Fiscal Year Ended March 31, 2022

Operating revenue in fiscal year 2022 was approximately $1,525.5 million, as restated, compared with $974.6 million in fiscal year 2021. The $550.9 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 $71.2 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 the Moynihan Train Hall, $0.8 CCDC bond premium amortization and $1.3 million related to the implementation of GASB Statement No. 87; 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 Convention Center and $5.0 million in loan project-related income as a result of a reduction in required loan loss reserves;

Revenue, Continued

Fiscal Year Ended March 31, 2022, Continued

- Reimbursed grants revenue decreased by $51.2 million due to decreases of $50.7 million in expense reimbursement primarily for the Moynihan Train Hall, $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;
- Interest and finance income from nonresidential projects decreased by $1.9 million due primarily to a decrease in income from nonresidential financing arrangements 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 was approximately $832.8 million in fiscal year 2022 compared to $755.7 million in fiscal year 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.

Expenses

Fiscal Year Ended March 31, 2023

Operating expenses in fiscal year 2023 are approximately $1,526.1 million compared to $1,682.9 million, as restated, in fiscal year 2022. The $156.8 million decrease is primarily due to the following:

- Economic development grants decreased by $226.0 million due to a decrease in activity within existing grant programs, including the following projects: COVID-19 Small Business Recovery Grant program, IBM AI Hardware Center, Applied Materials, Armstrong ATI Phase 3 and NY Power Electronics Manufacturing Consortium;
- Provision for loss on loans and financing arrangements receivable and investments in other assets decreased by approximately $0.5 million due primarily to a decrease in loan workouts;
- Interest on subsidiary project bonds decreased by approximately $0.4 million due to a decrease in bond interest expense for the CCDC Revenue Bonds, Series 2015 and Series 2016; and
- Pollution remediation expense decreased by approximately $0.2 million due to a decrease in remediation activity.

Expenses, Continued

Fiscal Year Ended March 31, 2023, Continued

Increases in operating expenses primarily occurred in the following categories:

- General and administrative expenses increased by approximately $31.3 million due primarily to an increase in construction and associated expenses for the Belmont Park Arena Redevelopment project, offset by decreased activity in the State's marketing and promotion program and NYIVCF;
- Depreciation increased by approximately $21.2 million mainly due to the required reclassification of various capitalized accounts to capital assets related to the substantial completion of the Javits Convention Center expansion in the prior fiscal year;
- Reimbursed grants expense increased by $11.4 million due to an increase in HUD grant funding to LMDC; and
- Subsidiary program and administrative expenses increased by approximately $6.4 million primarily due to increases in site development costs and property maintenance/utility expenses for certain subsidiaries, including ECHDC and the Moynihan Train Hall.

Non-operating expenses - interest and other costs on state revenue bonds is approximately $887.5 million in fiscal year 2023 compared to $815.6 million in fiscal 2022. The $71.9 million increase is due primarily to an increase in bond debt service resulting from the issuance of State Personal Income Tax Revenue Bonds Series 2022A and 2022B and costs related to various bond defeasances.

Fiscal Year Ended March 31, 2022

Operating expenses in fiscal year 2022 were approximately $1,682.9 million, as restated, compared to $770.9 million in fiscal year 2021. The $912.0 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 $58.8 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, and $7.0 million in lease expense for ESD's New York City location related to the implementation of GASB Statement No. 87;
- 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;

Expenses, Continued

Fiscal Year Ended March 31, 2022, Continued

- 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 loss on loans and financing arrangements receivable and investments in other assets increased by approximately $0.1 million due primarily to an increase related to loan workouts; and
- Depreciation increased by approximately $99.2 million mainly due to the required reclassification of various capitalized accounts to capital assets related to the substantial completion of the Moynihan Train Hall in the prior fiscal year, substantial completion of the Javits Convention Center expansion in the current fiscal year and the implementation of GASB Statement No. 87 related to the lease for ESD's New York City location.

Non-operating expenses were approximately $815.6 million in fiscal year 2022 compared to $759.7 million in fiscal year 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.

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.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Consolidated Statements of Net Position
March 31, 2023 and 2022

	2023	2022 (As restated)
	(In thousands)	
Assets		
Current assets:		
Cash and equivalents	$ 29,746	165,481
Temporary investments	186,967	50,614
	216,713	216,095
Cash and investment securities restricted or designated for:		
State revenue bonds	5,296,072	6,306,577
Economic development	792,292	512,624
Subsidiary and other purposes	674,932	835,193
	6,763,296	7,654,394
Loans and financing arrangements receivable:		
Non-residential, principally financing arrangements	300	515
Economic development loans	573	560
	873	1,075
Lease receivable	392	382
Other current assets	16,095	19,827
Total current assets	6,997,369	7,891,773
Non-current assets:		
Loans and financing arrangements receivable:		
Non-residential, principally financing arrangements	3,105	4,092
Economic development loans	67,472	81,900
	70,577	85,992
Due from State of New York	12,362,971	13,448,876
Due from New York Job Development Authority	27,878	27,400
Capital assets, net	4,928,493	5,052,839
Net pension asset - proportionate share - ERS	7,718	-
Lease receivable	167,308	167,700
Other non-current assets	143,624	169,221
Total non-current assets	17,708,569	18,952,028
Total assets	24,705,938	26,843,801
Deferred outflows of resources		
Deferred loss on refunding	861	925
Pensions	13,781	18,799
Contributions subsequent to measurement date - pensions	3,238	4,473
Post-employment benefits other than pensions	16,688	18,671
Total deferred outflows of resources	34,568	42,868

(Continued)

Restated for implementation of GASB Statement No. 87.

See accompanying notes to consolidated financial statements.

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

	2023	2022 (As restated)
	(In thousands)	
Liabilities		
Current liabilities:		
Bonds and notes payable:		
State revenue bonds	$ 682,895	1,321,025
Project revenue bonds - New York Convention Center Development Corporation	19,215	17,835
Other financing	4,828	81,183
	706,938	1,420,043
Accounts payable and accrued expenses	316,685	245,022
Interest payable	44,796	47,678
OPEB liability	3,973	3,447
Lease liability	7,078	7,022
Other current liabilities	102,417	87,365
Total current liabilities	1,181,887	1,810,577
Non-current liabilities:		
Bonds and notes payable:		
State revenue bonds	16,914,905	18,370,645
Project revenue bonds - New York Convention Center Development Corporation	1,064,600	1,075,519
Other non-current financing	606,671	606,671
	18,586,176	20,052,835
Repayable to related governmental entities	677	598
Net pension liability - proportionate share - ERS	-	94
OPEB liability	143,444	168,801
Lease liability	1,779	8,857
Other non-current liabilities	286,893	138,838
Total non-current liabilities	19,018,969	20,370,023
Total liabilities	20,200,856	22,180,600
Commitments and contingencies (note 18)		
Deferred inflows of resources		
Leases	159,899	161,614
Grants payable	210,607	194,148
Pensions	26,273	27,420
Post-employment benefits other than pensions	43,531	12,509
Other	24,375	51,531
Total deferred inflows of resources	464,685	447,222
Minority interest	422,635	449,616
Net position:		
Restricted:		
Appropriations repayable under prescribed conditions	197,554	197,554
Other restricted for specific purposes	181,759	250,755
Total restricted	379,313	448,309
Net investment in capital assets	3,273,017	3,360,922
Total net position	$ 3,652,330	3,809,231

Restated for implementation of GASB Statement No. 87.

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, 2023 and 2022

	2023	2022 (As restated)
	(In thousands)	
Operating revenue:		
Interest and finance income from:		
Residential projects	$ 5,197	6,071
Nonresidential projects	26,810	11,304
Hotel tax revenue	46,332	22,191
Reimbursed grants	147,655	121,227
Economic development grants	1,023,898	1,248,599
State appropriation for programs	831	326
Other revenue	92,871	115,775
Total operating revenue	1,343,594	1,525,493
Operating expenses:		
Interest on subsidiary project bonds	43,615	44,046
Reimbursed grants	49,647	38,194
Economic development grants	1,029,222	1,255,296
General and administrative	185,871	154,583
Subsidiary program and administrative	40,846	34,474
Pollution remediation	-	175
Provision for loss on loans and financing arrangements receivable and investments in other assets	400	883
Depreciation	176,536	155,292
Total operating expenses	1,526,137	1,682,943
Minority interest	26,981	29,144
Operating loss	(155,562)	(128,306)

(Continued)

Restated for implementation of GASB Statement No. 87.

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

	2023	2022 (As restated)
	(In thousands)	
Non-operating revenue:		
State appropriations for interest on state revenue bonds	$ 799,420	814,651
Interest and finance income earned on investment of state revenue bond proceeds	90,105	1,702
Other investment income, including change in fair value	(3,351)	16,506
Total non-operating revenue	886,174	832,859
Non-operating expenses - interest and other costs on state revenue bonds	887,513	815,626
Net non-operating revenue (expense)	(1,339)	17,233
Change in net position	(156,901)	(111,073)
Net position at beginning of year, as previously stated	3,809,231	3,916,744
Cumulative effect of change in accounting principle (note 19)	-	3,560
Net position at beginning of year, as restated	3,809,231	3,920,304
Net position at end of year	$ 3,652,330	3,809,231

Restated for implementation of GASB Statement No. 87.

See accompanying notes to consolidated financial statements.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended March 31, 2023 and 2022

	2023	2022 (As restated)
	(In thousands)	
Cash flows from operating activities:		
Interest and finance income received	$ 32,007	17,375
Other operating receipts	93,253	115,775
Cash received from hotel tax revenue	43,856	21,665
Grants received	1,197,623	1,386,700
Interest payments on state revenue bonds	(43,615)	(44,046)
Payments for general and administrative expenses	(115,544)	(266,127)
Grant payments	(1,065,055)	(1,278,991)
Net cash provided by (used in) operating activities	142,525	(47,649)
Cash flows from non-capital financing activities - increase in other liabilities	102,383	164,233
Cash flows from capital financing activities:		
Bond proceeds - state revenue bonds	1,457,710	2,403,360
Retirement of state revenue bonds	(3,551,580)	(1,486,080)
Accrued interest payable on revenue bonds	(2,545)	249
Payment of lease liability	(6,547)	(6,548)
Bond payments - New York Convention Center Development Corporation	(9,812)	(9,390)
Advances on behalf of State of New York for special projects	1,085,905	2,082,853
Net cash provided by (used in) capital financing activities	(1,026,869)	2,984,444
Cash flows from investing activities:		
Proceeds from sales/maturities of investment securities	27,106,849	14,418,002
Purchase of investment securities	(26,352,104)	(17,331,324)
Investment income, net	(1,339)	17,233
Cash payments on behalf of the New York Job Development Authority	(478)	7

(Continued)

Restated for implementation of GASB Statement No. 87.

See accompanying notes to consolidated financial statements.

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

	2023	2022 (As restated)
	(In thousands)	
Cash flows from investing activities, continued:		
Payments received from projects financed by corporate revenue bonds	$ 1,202	2,141
Collections on economic development loans	14,094	16,883
Net activity on economic development projects	(76,355)	2,712
Investment in real property and office equipment	(45,643)	(209,842)
Net cash provided by (used in) investing activities	646,226	(3,084,188)
Net change in cash and equivalents	(135,735)	16,840
Cash and equivalents at beginning of year	165,481	148,641
Cash and equivalents at end of year	$ 29,746	165,481
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	(155,562)	(128,306)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	176,536	155,292
Minority interest	(26,981)	(29,144)
Provision for loss on loans and financing arrangements receivable and investments in other assets	400	883
Changes in:		
Lease receivable	382	-
Other current assets	3,732	603
Other non-current assets	25,597	9,580
Deferred outflow - pensions	6,253	(4,134)
Deferred outflow - OPEB	1,983	(8,057)
Accounts payable and accrued expenses	71,663	(61,693)
Net pension liability/asset	(7,812)	(24,952)
Other liabilities	-	175
Deferred inflow - grants payable	16,459	13,998
Deferred inflow - pensions	(1,147)	26,985
Deferred inflow - OPEB	31,022	1,121
Net cash provided by (used in) operating activities	$ 142,525	(47,649)

Restated for implementation of GASB Statement No. 87.

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 CCDC.

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 $51.3 million and $39.2 million was received and disbursed during the years ended March 31, 2023 and 2022, 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, 2023 and 2022.

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 the State and provide overall economic benefits to New York; the New York City Musical and Theatrical Production Tax Credit Program which is designed to jump start the entertainment industry and support tourism in the City; the Empire State Musical and Theatrical Production Tax Credit Program which provides incentives for qualified production companies to conduct technical

Note 1 - Corporate Background and Activities, Continued

(c) Economic Development Tax Incentives, Continued

rehearsals and other pre-tour activities and perform shows in qualified regional theaters throughout Upstate New York; and the New York Restaurant Return-To-Work Tax Credit Program which provided an incentive to COVID-19 impacted restaurant businesses that brought restaurant staff back-to-work and increased hiring. This program was closed to new applicants on May 1, 2022.

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 CCDC, 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 Financing Arrangements 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 financing arrangements, 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 financing arrangement 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, Division of Military and Naval Affairs, Division of State Police, SUNY Projects, State Facilities, Housing, Information Technology Projects and SAM. 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 the fiscal years 2023 and 2022, ESD received $4.320 billion and $4.321 billion, respectively, from the State.

Funds received from the State were used to meet principal payments of $1.243 billion and $1.140 billion in fiscal years 2023 and 2022, respectively, which were recorded as reductions of the amounts due from the State. In addition, during the fiscal years 2023 and 2022 ESD used $85.4 million and $4.6 million, respectively, of state revenue bonds investment earnings to meet principal and interest payments.

During fiscal year 2023, at the direction of the New York State Division of the Budget, ESD received $2.360 billion in advances for debt service obligations due throughout fiscal 2024 related to certain State supported debt. During fiscal year 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.

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, 2023 and 2022, construction costs incurred in the amount of approximately $51.8 million and $205.4 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 2024.

(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) 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 four items that qualify for reporting in this category. The first 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 11. The second 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 third item is the Corporation's contributions to the pension system subsequent to the measurement date. The fourth 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 9.

Note 2 - Summary of Significant Accounting Policies, Continued

(m) Deferred Outflows and Inflows of Resources, Continued

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 in relation to the Moynihan Train Hall lease receivable. 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 9. 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 15.

(n) 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.

(o) 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.

(p) Recent Accounting Standards Adopted

For the year ended March 31, 2022, the Corporation adopted GASB Statement No. 87 - “Leases.” This Statement provides guidance for identifying certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows based on payment provisions of the contract. This Standard was effective for the reporting period beginning after June 15, 2021. 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, 2023 and 2022, 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):

		2023		2022	
		Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured (FDIC)	$	1,550	1,550	1,549	1,549
Uninsured - collateral held by custodian in ESD's name		541,315	541,631	663,695	663,892
Deposits held in trust for the Corporation's benefit		5,289	5,289	2,253,835	2,253,835
Total cash and cash equivalents	$	548,154	548,470	2,919,079	2,919,276

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.;

Note 4 - Fair Value of Financial Instruments, Continued

- 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, 2023 and 2022 consisted of the following (in thousands):

	2023		
	Cost	Fair Value	Unrealized Loss
U.S. Government and Federal Agency obligations	$ 6,439,851	6,428,575	(11,276)
Restricted cash	521,688	521,688	-
Total	$ 6,961,539	6,950,263	(11,276)

	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

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.

Note 4 - Fair Value of Financial Instruments, Continued

The Corporation holds financial instruments with quoted prices in active markets for identical assets (level 1) of $6,428.6 million and $4,948.9 million at March 31, 2023 and 2022, respectively.

Restricted or designated investment securities held by ESD include cash and equivalents and investment securities amounting to $674.9 million and $835.2 million at March 31, 2023 and 2022, respectively. These amounts at March 31, 2023 and 2022 are restricted for special projects on behalf of the following subsidiaries/programs/purposes (in thousands):

	2023	2022
Subsidiary/Programs/Purposes:		
42nd Street Development Project	$ 22,828	20,950
New York Empowerment Zone Corporation	2,470	3,690
Queens West Development Corporation	22,039	21,350
Harlem Community Development Corporation	9,340	8,113
Enterprise Community	887	874
USA Niagara Development Corp	4,589	4,267
Lower Manhattan Development Corporation	288	284
New York Convention Center Development Corporation	150,002	246,482
ESD Moynihan Station (James A. Farley Post Office Building)	30,387	117,603
ESD One Bryant Park	8,850	8,598
ESD Columbia SAC	1,574	1,884
ESD Erie Canal Harbor Development Corporation	62,483	26,211
ESD Privatization Program	1,103	1,077
Empire State New Market Corporation	4,899	4,523
ESD OPEB Liability Account	33,947	33,207
ESD Brooklyn Arena Project, ESD Atlantic Yard Project -Phase 1	167	192
ESD 125 Maiden Lane	64,229	63,504
ESD New York	3,115	3,070
ESD Project Repair Program	13,119	12,859
ESD Farley	10,829	2,923
ESD Marriot Marquis Purchase Option Fund	1,469	1,447
ESD TRAIL Remaining Fund	3,808	3,714
ESD Section 32 Remaining Fund	1,440	1,404
ESD Erie County Stadium Corporation Capital Improvement	4,031	4,005
ESD Arthur Kill Development Project	231	231
ESD Bronx Psychiatric Center Development Project	1,630	1,647

Note 4 - Fair Value of Financial Instruments, Continued

	2023	2022
Subsidiary/Programs/Purposes, Continued:		
ESD Venture Atlantic Yard Project - Phase 2	$ 205	386
Public Authority Control Board Authorized (including rent subsidy program in Lower Manhattan)	208,542	211,086
ESD Bayview Correctional Facility Project	618	605
Statewide Local Development Corporation	19	17
ESD Belmont Park Imprest	451	195
Other Purposes	5,343	28,795
Totals	$ 674,932	835,193

Note 5 - Loans and Financing Arrangements Receivable

Nonresidential and commercial financing arrangements receivables, real estate investments and economic development loans at March 31, 2023 and 2022 consist of the following (in thousands):

	2023		2022	
	Number	Balance	Number	Balance
Non-residential and commercial financing arrangements receivables and real estate investments:				
Non-residential (a)	2	$ 93	2	$ 1,013
Commercial (b)	4	1,994	4	2,276
Real estate investments (c)	10	1,318	10	1,318
Sub-total	16	3,405	16	4,607
Economic development loans (d)	51	68,045	63	82,460
Total	67	71,450	79	87,067
Less current portion		(873)		(1,075)
Non-current portion		$ 70,577		$ 85,992

(a) Non-residential Financing Arrangement Receivables

Non-residential financing arrangement receivables included two projects outstanding in 2023 and 2022, which were owned by ESD. ESD earns a 7% to 8.25% return, plus the original investment of funds. At March 31, 2023, all remaining terms exceeded one year.

Note 5 - Loans and Financing Arrangements Receivable, Continued

(b) Commercial Financing Arrangements

Commercial financing arrangements consist of base payments and commercial Tax Equivalency Payments ("TEP") pursuant to financing arrangements on four Roosevelt Island housing projects in 2023 and 2022, 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 financing arrangement terms range from one to ten years. The receivable balance of $2.0 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, 2023 and 2022.

Note 6 - Capital Assets

Capital assets at March 31, 2023 and 2022 consists of the following (in thousands):

	2023			
	Balance at March 31, 2022 (as restated)	Additions	Disposals	Balance at March 31, 2023
Land	$ 376,555	-	-	376,555
Buildings, improvements and construction in progress (incl. Farley)	3,235,600	45,521	-	3,281,121
Moynihan Train Hall	2,136,789	6,300	-	2,143,089
Furniture and equipment	40,988	369	-	41,357
Right to use asset	72,024	-	-	72,024
	5,861,956	52,190	-	5,914,146
Less accumulated depreciation	(809,117)	(176,536)	-	(985,653)
Totals	$ 5,052,839	(124,346)	-	4,928,493

Note 6 - Capital Assets, Continued

	2022			
	Balance at March 31, 2021 (as restated)	Additions	Disposals	Balance at March 31, 2022 (as restated)
Land	$ 372,905	3,650	-	376,555
Buildings, improvements and construction in progress (incl. Farley)	3,125,332	110,268	-	3,235,600
Moynihan Train Hall	2,041,679	95,110	-	2,136,789
Furniture and equipment	40,174	814	-	40,988
Right to use asset	72,024	-	-	72,024
	5,652,114	209,842	-	5,861,956
Less accumulated depreciation	(653,825)	(155,292)	-	(809,117)
Totals	$ 4,998,289	54,550	-	5,052,839

(a) Buildings, Improvements and Construction In Progress

Major components of buildings, improvements and construction in progress at March 31, 2023 and 2022 are as follows (in thousands):

	2021	Net increase (decrease)	2022	Net increase (decrease)	2023
New York Convention Center Development Corporation	$ 2,677,592	106,346	2,783,938	45,765	2,829,703
USA Niagara	22,451	-	22,451	-	22,451
James A. Farley Post Office Building and other ESD property	408,248	4,437	412,685	-	412,685
Other Subsidiaries	17,041	(515)	16,526	(244)	16,282
Total	$ 3,125,332	110,268	3,235,600	45,521	3,281,121

(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	

Note 6 - Capital Assets, Continued

(b) James A. Farley Post Office Building, Continued

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, 2023, 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 includes an interest rate of 2.75%. As there are no penalties for prepayment, ESD used available TIFIA loan funds to make a partial prepayment in the amount of $78.1 million in December 2022. The prepayment will assist in slowing the debt's interest accrual and prevent a considerable amount of additional interest that would come due on December 31, 2024. The balance of the note, including the related deferred interest, amounted to $4.8 million and $81.2 million at March 31, 2023 and 2022, respectively.

(c) Yale Building

In August 2006, the Corporation entered into an agreement to purchase the Yale Building site from the 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, 2023 and 2022 amounted to $176.5 million and $155.3 million, as restated, respectively.

Note 7 - Lease Receivable

During the 2017 fiscal year ESD, through its' subsidiary Moynihan Station Development Corporation entered into a 99-year lease agreement with Vornado Realty, wherein Vornado Realty would make quarterly base rent payment of $1.25 million for the life of the lease. This lease will expire in the year ending March 31, 2117.

Note 7 - Lease Receivable, Continued

During the year ended March 31, 2023, ESD implemented the requirements of GASB Statement No. 87 - "Leases," and as a result recorded a lease asset of $168.5 million and an associated deferred inflow of resources of $163.3 million, see note 19. This receivable and related deferred inflow of resources were discounted to present value using an interest rate of 2.75%. The amortization of the lease receivable and associated deferred inflow of resources is as follows (in thousands):

Year ending	Principal	Interest	Total	Deferred inflow
2024	$ 392	4,608	5,000	1,715
2025	403	4,597	5,000	1,715
2026	414	4,586	5,000	1,715
2027	426	4,574	5,000	1,715
2028	438	4,562	5,000	1,715
2029 - 2033	2,378	22,622	25,000	8,574
2034 - 2038	2,727	22,273	25,000	8,574
2039 - 2043	3,128	21,872	25,000	8,574
2044 - 2048	3,587	21,413	25,000	8,574
2049 - 2053	4,114	20,886	25,000	8,574
2054 - 2058	4,717	20,283	25,000	8,574
2059 - 2063	5,411	19,589	25,000	8,574
2064 - 2068	6,205	18,795	25,000	8,574
2069 - 2073	7,116	17,884	25,000	8,574
2074 - 2078	8,162	16,838	25,000	8,574
2079 - 2083	9,360	15,640	25,000	8,574
2084 - 2088	10,735	14,265	25,000	8,573
2089 - 2093	12,311	12,689	25,000	8,573
2094 - 2098	14,120	10,880	25,000	8,573
2099 - 2103	16,193	8,807	25,000	8,573
2104 - 2108	18,571	6,429	25,000	8,573
2109 - 2113	21,299	3,701	25,000	8,573
2114 - 2117	15,493	757	16,250	5,572
Total	$ 167,700	298,550	466,250	159,899

Note 8 - Other Assets

Other assets at March 31, 2023 and 2022 consist of the following (in thousands):

	2023	2022
Receivable from municipalities, other authorities and others	$ 26,929	60,361
Hotel tax receivable	5,076	2,600
Prepaid insurance	280	269
Reserve for commercial real estate projects	118,156	116,167
Other	9,278	9,651
	159,719	189,048
Less current portion	(16,095)	(19,827)
Non-current portion	$ 143,624	169,221

Note 9 - Post-employment Benefits Other Than Pensions ("OPEB")

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, 2023 measurement, was as follows:

Active employees	367
Retired employees	208
Total	575

Note 9 - Post-employment Benefits Other Than Pensions, Continued

Total OPEB Liability

The Corporation's total OPEB liability of $147.4 million was measured as of March 31, 2023 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	4.05%
Healthcare cost trend rates	5.50% declining to 4.04%

Changes in the Total OPEB Liability

Total OPEB liability as of April 1, 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
Changes for the year:	
Service cost	11,198
Interest on total OPEB liability	4,845
Differences between expected and actual experience	2,865
Changes in assumptions	(39,766)
Benefit payments	(3,973)
Total changes	(24,831)
Total OPEB liability as of March 31, 2023	$ 147,417

Note 9 - Post-employment Benefits Other Than Pensions, Continued

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 (3.05%) or 1-percentage-point higher (5.05%) than the current discount rate:

	1% Decrease (3.05%)	Discount Rate (4.05%)	1% Increase (5.05%)
Total OPEB liability	$ 174,850	147,417	125,800

This analysis represents sensitivity of the OPEB liability as of March 31, 2023.

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	$ 122,127	147,417	180,515

This analysis represents sensitivity of the OPEB liability as of March 31, 2023.

At March 31, 2023 and 2022 the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,381	4,197	10,710	6,015
Changes in assumptions	5,307	39,334	7,961	6,494
Total	$ 16,688	43,531	18,671	12,509

Note 9 - Post-employment Benefits Other Than Pensions, Continued

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

Year ending	
2024	$ 3,896
2025	3,787
2026	4,902
2027	4,902
2028	4,084
Thereafter	5,272
	$ 26,843

Note 10 - State Revenue Bonds

At March 31, 2023 and 2022, ESD's outstanding revenue bonds were as follows (in thousands):

(a) State Personal Income Tax Revenue Bonds (P.I.T.)	Balances 2023	2022	Coupon rates (%)	Maturity dates
State Facilities and Equipment				
2004 Series A-2	$ 41,435	81,080	5.50	2025
2004 Series A-3	74,615	74,615	Variable Note	2033
General Purpose				
2009 Series E (Taxable Build America)	576,080	576,080	5.77	2039
2010 Series C (Taxable Build America)	301,510	323,265	5.36 - 5.84	2040
2013 Series A-1	320,895	453,445	3.50 - 5.00	2043
2013 Series A-2	-	20,240	2.50 - 5.00	Redeemed
2013 Series C	316,275	517,585	5.00	2033
2013 Series D	-	182,775	5.00	Redeemed
2013 Series E	408,660	594,620	5.00	2043
2013 Series F (Taxable)	-	48,135	3.45	Redeemed
2014 Series A	430,215	647,485	5.00	2044
2014 Series B (Taxable)	-	70,485	2.98 - 3.08	Redeemed
2015 Series A	611,465	707,445	5.00	2045
2016 Series A	901,610	1,239,525	3.00 - 5.00	2038
2017 Series A	633,735	723,335	3.50 - 5.00	2047
2017 Series B (Taxable)	11,005	516,090	2.86 - 3.42	2028
2017 Series C	648,595	654,630	4.00 - 5.00	2047
2017 Series D (Taxable)	431,735	787,395	2.88 - 3.47	2032
2019 Series A	717,845	717,845	4.00 - 5.00	2048
2019 Series B (Taxable)	446,925	719,080	3.10 - 3.90	2033
2020 Series A	1,288,210	1,288,210	3.00 - 5.00	2050
2020 Series B (Taxable)	285,580	492,010	0.97 - 2.28	2034
2020 Series C	2,141,755	2,162,710	3.00 - 5.00	2050
2020 Series D (Taxable)	28,485	65,900	1.76	2030
2020 Series E	1,543,910	1,607,825	3.00 - 5.00	2050
2020 Series F (Taxable)	292,805	478,590	0.62 - 2.68	2039
2022 Series A	1,409,770	-	4.75 - 5.25	2051
2022 Series B (Taxable)	47,940	-	4.82 - 5.20	2032
Total State Personal Income Tax Revenue Bonds	13,911,055	15,750,400		

Note 10 - State Revenue Bonds, Continued

(b) State Sales Tax Revenue	Balances 2023	Balances 2022	Coupon rates (%)	Maturity dates
2019 Series A	$ 877,515	909,905	3.00 - 5.00	2049
2019 Series B (Taxable)	473,270	509,080	2.02 - 2.97	2034
2020 Series A	-	95,260	1.13 - 1.15	Redeemed
2020 Series B (Taxable)	-	23,665	1.44 - 1.53	Redeemed
2021 Series A	1,690,140	1,754,565	2.62 - 5.00	2051
2021 Series B (Taxable)	645,820	648,795	0.75 - 2.64	2036
Total State Sales Tax Revenue Bonds	3,686,745	3,941,270		
Total all issues	17,597,800	19,691,670		
Less current portion	(682,895)	(1,321,025)		
Total non-current revenue bonds	$ 16,914,905	18,370,645		

A summary of changes in outstanding revenue bonds at March 31, 2023 and 2022 is as follows:

2023	Balance at March 31, 2022	Increases	Decreases	Balance at March 31, 2023
State Personal Income Tax Revenue Bonds	$ 15,750,400	1,457,710	(3,297,055)	13,911,055
State Sales Tax Revenue Bonds	3,941,270	-	(254,525)	3,686,745
Total	$ 19,691,670	1,457,710	(3,551,580)	17,597,800

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

(Continued)

Note 10 - 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, 2023 and 2022 are as follows (in thousands):

	2023	2022
Due from State of New York	$ 12,362,971	13,448,876
Cash and investments	5,296,072	6,306,577
Less accrued interest payable	(33,536)	(36,081)
Less other	(27,707)	(27,702)
Bonds payable	$ 17,597,800	19,691,670

State Personal Income Tax Revenue Bonds Series 2022A and 2022B (Federally Taxable)

In October 2022, ESD issued $1,457.7 million in State Personal Income Tax Revenue Bonds: $1,409.8 million Series 2022A (Tax-Exempt) and $47.9 million Series 2022B (Federally Taxable) (the “Series 2022 Bonds”). The Series 2022 Bonds were issued for the purpose of financing Authorized Purposes, including (i) finance, refinance or reimburse all or a portion of the costs of certain programs and projects within the State, including but not limited to Correctional Facilities, Division of Military and Naval Affairs, Division of State Police, Economic Development projects, Environmental projects, Housing, Information Technology projects, SAM, State Facilities, SUNY projects and Youth Facilities, (ii) refund certain State-supported debt previously issued by an Authorized Issuer, and (iii) pay certain costs relating to the issuance of the Series 2022 Bonds.

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.

Note 10 - State Revenue Bonds, Continued

Annual maturities and interest obligations on State revenue bonds for the five years following March 31, 2023 are as follows (in thousands):

	Principal	Interest (a)	Total
2024	$ 682,895	754,554	1,437,449
2025	638,420	720,965	1,359,385
2026	680,795	691,833	1,372,628
2027	382,340	661,071	1,043,411
2028	1,063,985	642,530	1,706,515
	$ 3,448,435	3,470,953	6,919,388

(a) Excludes variable interest rate.

Aggregate principal maturities subsequent to 2028 are approximately $14.1 billion.

Note 11 - 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.

Note 11 - New York Convention Center Development Corporation Revenue Bonds, Continued

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

As of March 31, 2023 and 2022, CCDC's outstanding Revenue Bonds were as follows (in thousands):

2016 A and B Revenue Bonds	Balances 2023	Balances 2022	Coupon rates (%)	Remaining payments to
Serial	$ 20,615	25,390	2.75 - 5.00	2056
Term	4,390	4,390	5.00	2041
Term	45,475	45,475	5.00	2046
Capital Apprec.	413,099	399,909	Zero Cpn	2056
	483,579	475,164		
Unamortized bond premium	9,960	10,951		
	$ 493,539	486,115		

2015 Revenue Bonds	Balances 2023	Balances 2022	Coupon rates (%)	Remaining payments to
Serial	$ 260,660	273,720	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
	557,815	570,875		
Unamortized bond premium	32,461	36,364		
	$ 590,276	607,239		

	2023	2022
2016 A and B Revenue Bonds	$ 493,539	486,115
2015 Revenue Bonds	590,276	607,239
	1,083,815	1,093,354
Less current portion	(19,215)	(17,835)
Total non-current project Revenue Bonds - New York Convention Center Development Corporation	$ 1,064,600	1,075,519

Note 11 - New York Convention Center Development Corporation Revenue Bonds, Continued

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, 2023 are as follows (in thousands):

	Principal	Interest	Total
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
2028	24,745	25,938	50,683
	$ 110,155	138,226	248,381

Aggregate principal maturities, including all accreted interest on capital appreciation debt, subsequent to 2028 are approximately $1.4 billion.

Note 12 - 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, 2023, 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. As there are no penalties for prepayment, ESD used available TIFIA loan funds to make a partial prepayment in the amount of $78.1 million in December 2022. The prepayment will assist in slowing the debt’s interest accrual and prevent a considerable amount of additional interest that would come due on December 31, 2024. Total interest accrued at March 31, 2023 and 2022 amounted to $27.9 million and $26.2 million, respectively.

Note 12 - Other Financing, Continued

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 Train Hall. 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, 2023 and 2022, interest costs incurred amounting to $13.4 million and $13.3 million, respectively, were recognized as an expense in accordance with the Corporation's adoption of GASB Statement No. 89. Substantial completion of Moynihan Train Hall occurred on January 1, 2022 and construction in progress was reclassified to buildings (Moynihan Train Hall).

Annual maturities and interest obligations on the TIFIA loan for the five years following March 31, 2023 are as follows (in thousands):

	Principal	Interest	Total
2024	$ -	12,074	12,074
2025	-	12,187	12,187
2026	-	12,292	12,292
2027	408	12,382	12,790
2028	2,503	12,391	14,894
	$ 2,911	61,326	64,237

Aggregate principal maturities subsequent to 2028 are approximately $603.8 million.

Note 13 - Lease Liability

In June of 2013, ESD entered into an agreement with 633 Third TEI Equities LLC, for use of office space in the building at 633 Third Avenue, New York, NY. The initial lease term was for 10 years beginning July 1, 2013. Subsequently, the lease has been extended an additional year, through June 30, 2024. No further extensions were considered reasonably certain to be exercised. The initial present value of this agreement was $72.0 million, using an implied interest rate of 0.84% and has been recorded as a right to use asset. The remaining lease payments will be amortized as follows (in thousands):

Note 13 - Lease Liability, Continued

	Principal	Interest	Total
2024	$ 7,078	45	7,123
2025	1,779	3	1,782
	$ 8,857	48	8,905

Note 14 - Other Liabilities

Other liabilities at March 31, 2023 and 2022 consist of the following (in thousands):

	2023			
	Balance at March 31, 2022	Increases	Decreases	Balance at March 31, 2023
Grants, economic development programs and special projects/bonds	$ 133,241	11,773	-	145,014
Other loan and revolving loan programs - advances from State	413	-	-	413
Other accruals	92,549	151,334	-	243,883
Totals	226,203	163,107	-	389,310
Less current portion	(87,365)			(102,417)
Non-current portion	$ 138,838			286,893

	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

Note 15 - Deferred Inflows of Resources - Other

Deferred inflows of resources - other at March 31, 2023 and 2022 consist of the following (in thousands):

	2023			
	Balance at March 31, 2022	Increases	Decreases	Balance at March 31, 2023
Grants, economic development programs and special projects/bonds	$ 11,112	-	-	11,112
Deferred gain on ground lease deposit (a)	2,483	-	-	2,483
Deferred funding for Moynihan Train Hall (b)	585	303	-	888
Other loan and revolving loan programs - advances from State	1,754	-	-	1,754
Other accruals (c)	35,597	-	(27,459)	8,138
Totals	$ 51,531	303	(27,459)	24,375

	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 Train Hall (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

(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 2023 and 2022.

Note 15 - Deferred Inflows of Resources - Other, Continued

(b) Moynihan Train Hall 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 Train Hall 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. During fiscal year 2023, the Agreement was amended to advance a one time payment of $27.1 million and the remaining stream of payments as of March 31, 2023 is now $5.8 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 16 - 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, 2023 and 2022 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 16 - 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 $27.9 million due from JDA for reimbursement to ESD for administrative expenses incurred on behalf of JDA as of March 31, 2023 ($27.4 million as of March 31, 2022), 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-eight fiscal years, is $9.1 million.

Note 17 - 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 17 - 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):

2023	$ 3,238
2022	4,473
2021	3,925

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

At March 31, 2023 and 2022, ESD reported the following liability (asset) for its proportionate share of the net pension liability (asset) for ERS. The net pension liability (asset) was measured as of March 31, 2022 and 2021. The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation. ESD's proportionate share of the net pension liability (asset) 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).

	2023	2022
Actuarial valuation date	4/1/2021	4/1/2020
Net pension liability (asset)	$ (7,718)	94
Corporation's proportion of the Plan's net pension liability (asset)	0.0944190%	0.0947195%
Change in proportionate share	0.0003005%	0.0001359%

Note 17 - Retirement Plans, Continued

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

For the years ended March 31, 2023 and 2022, ESD recognized ERS pension expense of $0.5 million and $2.4 million, respectively. At March 31, 2023 and 2022, ESD's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	March 31, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 584	758
Changes in assumptions	12,881	217
Net difference between projected and actual earnings on pension plan investments	-	25,275
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	316	23
Corporation's contributions subsequent to the March 31, 2022 measurement date	3,238	-
Total	$ 17,019	26,273

	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

Note 17 - Retirement Plans, Continued

(c) Pension Liabilities (Assets), 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 (asset) in the year ended March 31, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended	ERS
2023	$ (1,831)
2024	(2,784)
2025	(6,535)
2026	(1,342)
	$ (12,492)

(d) Actuarial Assumptions

The total pension liability (asset) 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, 2022
Actuarial valuation date	April 1, 2021
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, 2021 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 17 - Retirement Plans, Continued

(d) Actuarial Assumptions, Continued

Measurement date	March 31, 2022	
	Real Rate of Return*	Target Allocation
Asset type:		
Domestic equity	3.30%	32.0%
International equity	5.85%	15.0%
Private equity	6.50%	10.0%
Real estate	5.00%	9.0%
Opportunistic/ARS portfolio	4.10%	3.0%
Credit	3.78%	4.0%
Real assets	5.80%	3.0%
Fixed income	0.00%	23.0%
Cash	(1.00%)	1.0%
		100.0%

*Real rate of return is net of long-term inflation assumption of 2.50%.

(e) Discount Rate

The discount rate used to calculate the total pension liability (asset) as of the March 31, 2022 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 (asset).

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

The following presents ESD's proportionate share of the net pension liability (asset) calculated using the discount rate of 5.9%, as well as what ESD's proportionate share of the net pension liability (asset) 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 liability (asset)	$ 19,867	(7,718)	(30,792)

Note 17 - Retirement Plans, Continued

(g) Pension Plan Fiduciary Net Position

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

	(Dollars in Millions)	
Valuation date	4/1/2021	4/1/2020
Employers' total pension liability	$ 223,875	220,680
Plan net position	(232,050)	(220,580)
Employers' net pension liability (asset)	$ (8,175)	100
Ratio of plan net position to the Employers' total pension liability (asset)	103.65%	99.9%

(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, 2023 and 2022 represent the projected employer contributions for the period of April 1, 2021 through March 31, 2022 and April 1, 2020 through March 31, 2021, 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. ESD's involvement with an employee's account ends at that time. The amount owed to participants upon retirement is based solely on the account balance at the time of withdrawal.

As of March 31, 2023 and 2022, there were 49 and 41, respectively, ESD employees enrolled in the VDC Program.

Note 18 - Commitments and Contingencies

Commitments and contingencies at March 31, 2023 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. This New York State court proceeding was concluded in 2023, and the final valuation paid to the owner was confirmed. The owner disputes the valuation of the building's basement, and the owner has filed a petition for writ of certiorari with the United States Supreme Court and ESD plans to oppose the petition.

Note 18 - Commitments and Contingencies, Continued

(a) Legal Actions, Continued

Atlantic Yards Land Use Improvement and Civic Project, Continued

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 2023 is approximately $162 million.

Note 19 - Cumulative Effect of Change in Accounting Principle

ESD adopted the provisions of GASB Statement No. 87 - "Leases" during the year ended March 31, 2023. The net position balance as of March 31, 2021 was restated as follows (in thousands):

Net position as of March 31, 2021, as previously stated	$ 3,916,744
GASB Statement No. 87 adjustments:	
Lease receivable	168,454
Deferred inflows of resources - leases	(163,329)
Right to use asset	72,024
Accumulated depreciation	(50,744)
Lease liability	(22,845)
Cumulative effect of change in accounting principle	3,560
Net position as of March 31, 2021, as restated	$ 3,920,304

Note 19 - Cumulative Effect of Change in Accounting Principle, Continued

	2022 as previously stated	Restatement	2022 as restated
Lease receivable - current	$ -	382	382
Lease receivable - non-current	-	167,700	167,700
Capital assets, net	5,038,107	14,732	5,052,839
Lease liability - current	-	(7,022)	(7,022)
Lease liability - non-current	-	(8,857)	(8,857)
Deferred inflows of resources - leases	-	(161,614)	(161,614)
Net position	(3,803,910)	(5,321)	(3,809,231)
Other revenue	(114,432)	(1,343)	(115,775)
General and administrative expense	161,549	(6,966)	154,583
Depreciation	148,744	6,548	155,292

Note 20 - Accounting Standards Issued But Not Yet Implemented

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. 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 of the Corporation.

GASB Statement No. 101 - “Compensated Absences.” This Statement, issued in June 2022, updates the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023, which is the fiscal year beginning April 1, 2024 for the Corporation. Management is in the process of evaluating the potential impact of implementation of this Statement on the consolidated financial statements of the Corporation.

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, 2023

Total OPEB liability (in thousands):	2023	2022	2021	2020	2019
Service cost	$ 11,198	10,547	10,678	6,694	6,503
Interest on total OPEB liability	4,845	3,883	3,558	5,373	5,012
Difference between expected and actual experience	2,865	12,495	(1,956)	(9,236)	-
Changes in assumptions	(39,766)	(4,184)	(3,765)	15,922	(654)
Benefit payments	(3,973)	(3,447)	(3,226)	(2,885)	(2,802)
Net change in total OPEB liability	(24,831)	19,294	5,289	15,868	8,059
Total OPEB liability at beginning of year	172,248	152,954	147,665	131,797	123,738
Total OPEB liability at end of year	$ 147,417	172,248	152,954	147,665	131,797
Covered payroll	$ 33,304	29,552	29,646	31,564	28,136
Total OPEB liability as a percentage of covered payroll	442.6%	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:

2023	4.05%
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 (Asset)
Year ended March 31, 2023

NYSERS Pension Plan (in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Corporation's proportion of the net pension liability (asset)	0.0944190%	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 (asset)	$ (7,718)	94	25,046	6,644	2,907	8,391	13,883	2,983	3,989
Corporation's covered payroll	$ 29,564	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	26.11%	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 (asset)	103.6%	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, 2022, 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, 2023

NYSERS Pension Plan (in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 3,238	4,473	3,925	3,771	3,729	3,767	3,575	4,327	4,473	5,217
Contributions in relation to the contractually required contribution	3,238	4,473	3,925	3,771	3,729	3,767	3,575	4,327	4,473	5,217
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
Corporation's covered payroll	$ 29,564	29,646	29,067	28,156	26,991	26,913	25,802	25,039	23,312	22,475
Contributions as a percentage of covered payroll	10.95%	15.09%	13.50%	13.39%	13.82%	14.00%	13.86%	17.28%	19.19%	23.21%

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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, 2023, and the related notes to consolidated financial statements, and have issued our report thereon dated June 13, 2023.

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 13, 2023

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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, 2023.

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, 2023.

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 13, 2023