NEW YORK STATE URBAN DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
And Independent Auditors' Report

March 31, 2026 and 2025

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, 2026 and 2025, 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, 2026 and 2025 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the consolidated financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the 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 73 through 75 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 16, 2026 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 the Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 16, 2026

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES

Management's Discussion and Analysis

March 31, 2026 and 2025

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, 2026 and 2025. This analysis should be read in conjunction with the Corporation's consolidated fiscal 2026 and 2025 financial statements.

Overview

During Fiscal Year 2026, ESD continued to serve and aid businesses across New York State (the "State") through both new and existing programs and initiatives. State leadership and ESD continued to work with Micron Technology, Inc., one of the world's largest semiconductor companies, on their planned investment of $100 billion over the next 20-plus years to build one of the largest semiconductor fabrication facilities in New York. Spanning 1,400 acres, Micron's new mega fab will create nearly 50,000 jobs, including 9,000 high paying company jobs, further positioning the State as a national leader in reshoring "future-proof" semiconductor jobs to the United States. To directly support this project, the Governor's Office of Semiconductor Expansion, Management and Integration ("GO-SEMI") was established. GO-SEMI has evolved from an initiative to support the Micron project into a fully operational implementation office, establishing the staffing, systems, and controls required to manage complex, multi-year semiconductor investments and programs across the State. Established performance metrics across all major workstreams, enabling consistent tracking of inputs, activities, and outcomes. Its mission is to lead and centralize efforts with strategic planning and operations to implement the Micron project; develop and advance policies to attract the semiconductor industry and its supply chain; coordinate workforce development and community investments between local, state, federal, and private partners; lead efforts to create, attract, and retain the highly skilled workforce needed; and support cohesive development focused on smart growth principles. Also, implemented best practices and areas of cooperation on sustainability research and innovation locally and globally with chip industry leaders. Outside of Micron, the GO-SEMI office continues to make progress on the key pillars for semi-industry success and equitable impact – inclusive of sites/permitting, and disadvantaged business opportunities.

In addition, ESD's Office of Strategic Workforce Development ("OSWD") continues to support workforce and economic development initiatives across the State, through training, internships and other efforts. Through these and other programs, investments and initiatives, 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, inclusive and growing State economy, encourage business investment and job creation, and support diverse, local economies across the State through the efficient use of loans, grants, tax credits, real estate development, marketing and other forms of assistance.

Overview, Continued

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, with a focus on sustainability and historically disadvantaged populations across the State;
- responds (and is transparent) to the needs of diverse communities and businesses across the State, including through the active participation of ten Regional Economic Development Councils ("REDC" or "Regional Councils");
- supports the retention and growth of existing businesses, the resilience of communities and businesses, and the development of new businesses and industries;
- promotes equality of economic opportunities for minority-and women-owned businesses ("MWBEs") and service-disabled veteran-owned businesses ("SDVOBs");
- assists in the development of underutilized property to spur revitalization, housing, and commercial activity;
- provides early-stage support for new ventures, including the research and development and commercialization 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 oversees and manages many programs addressing critical economic development opportunities and below are some key Fiscal Year 2026 activities:

ConnectALL

During the Fiscal Year 2026, the ConnectALL initiative continued its objective to transform NY's digital infrastructure. Leveraging over $1.3 billion in public funding, ConnectALL programs drive a robust and inclusive marketplace that delivers affordable, high-speed internet to New Yorkers in rural and urban areas statewide and ensure that the State remains a national leader on internet connectivity.

ConnectALL implements programs and initiatives as articulated in the NYS WIRED Broadband Act to achieve its mission to transform the State's digital infrastructure to enable internet service throughout the State:

- Statewide Digital Equity Plan and Grant Program to support New Yorker's use of the internet to participate in our society and economy.
- ConnectALL Deployment Program to focus on homes and businesses that lack affordable, reliable broadband service options.
- Local Connectivity Planning and 21st Century Municipal Infrastructure Grant Program for municipalities, non-profits, and other entities to address regional broadband needs and construct open and accessible public broadband infrastructure.
- Affordable Housing Connectivity Program to retrofit affordable housing with broadband installations and connect residents with robust, reliable, affordable internet service.
- Connectivity Innovation Grant Program to develop creative broadband solutions and ensure the State is a global leader in pioneering future breakthroughs.
- Excelsior Broadband Network to build and connect a network of public broadband assets across the State to improve high speed internet and reliable cell phone service across rural and urban portions of the State.
- Mobile Service Connectivity Initiative to identify top opportunities to expand coverage and provide funding to deploy innovative, scalable solutions that can address gaps in wireless cellular coverage through partnership with local stakeholders, State agencies, and industry.

ConnectALL made significant achievements across the portfolio of programs during the Fiscal Year. ConnectALL formalized a partnership with the New York State Thruway Authority to construct the first component of the Excelsior Broadband Network: first component will be a new fiber line that runs the full length of the Thruway to improve high speed internet and reliable cell phone service across rural and urban portions of the State.

Economic Development Programs and Initiatives, Continued

Office of Strategic Workforce Development

During Fiscal Year 2026, OSWD continued to better align workforce development efforts across State initiatives with the needs and priorities of employers and workers.

OSWD's work to meet the increasing demand for high-skilled workers was further supported by the inclusion of $200 million in new and existing resources to support the launch of the One Network for Regional Advanced Manufacturing Partnerships (ON-RAMP) program. Through the ON-RAMP initiative, four workforce development centers will be created to offer credentials and training related to advanced manufacturing and construction, with a focus on providing opportunities for disadvantaged populations. The flagship Syracuse hub was announced in September 2024, with the three additional locations (Mohawk Valley, Finger Lakes, and the Capital Region) announced in March 2025.

Small Business Programs

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

Capital Access Programs

ESD continues to support small businesses with technical assistance through the Community Development Financial Institution Assistance Program. Over 1,600 small businesses and MWBEs received funding through this program, with nearly $150 million in loans disbursed. In addition, over 6,500 small businesses and MWBEs received one-on-one technical assistance. In addition, ESD launched a multi-year $25 million New York State Community Development Financial Institution Assistance Fund in partnership with the New York State Department of Financial Services. In total, 28 Community Development Financial Institutions ("CDFIs") were selected to receive financial inclusion grants totaling $5 million to support access to safe and affordable banking services in historically underserved and low-income communities across the State.

ESD continues to successfully support businesses through the Linked Deposit Program (activity on this program has been the strongest in years), and many other programs.

State Small Business Credit Initiative (SSBCI)

During Fiscal Year 2026, financial support continued to a range of small business credit and investment programs funded through the federally capitalized State Small Business Credit Initiative ("SSBCI"). These programs target very small businesses and socially and economically disadvantaged individual owned businesses. The suite of programs under this initiative provides

Economic Development Programs and Initiatives, Continued

Small Business Programs, Continued

State Small Business Credit Initiative (SSBCI), Continued

access to capital, loan loss reserves, loan guarantees, loan participation, venture capital and manufacturing financing assistance to businesses across the State. The programs include seven 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.

Through the six debt programs more than $282 million is expected to be disbursed over the next ten years. Included among these programs are the $54.3 million Capital Project Loan Fund, the $51.8 million Loan Guarantee Program, the $63.5 million Small Business Revolving Loan Fund, the $47 million New York Forward Loan Fund, the $6.4 million Capital Access Program, the $22 million New York State Surety Bond Assistance Program and the $37 million Contractor Financing Program.

In addition, four equity programs were created or expanded and include the $102 million Emerging and Regional Partner Program Fund, the $42 million Community and Regional Partner Fund, the $35 million NYS Innovation Venture Capital Fund and the $40 million Pre-Seed and Seed Fund.

Entrepreneurship, Venture and Commercialization Support

ESD assists entrepreneurs through the Entrepreneurship Assistance Centers ("EACs"), which give vital courses and classes on how to start and run a business. The Program also provides intensive one-on-one counseling on a range of business issues, including business plan development, marketing, financial management, MWBE certification application assistance, and access to financing. The EACs assisted 5,069 clients in launching new businesses and expanding existing businesses.

ESD launched the Entrepreneur AI Technical Assistance Program. The initiative aims to expand AI literacy and practical application for the State's small businesses through the Statewide EAC network. Centralized under a designated AI Specialist EAC, the Program serves as a Statewide hub for integrating AI tools into small business operations.

Economic Development Programs and Initiatives, Continued

Small Business Programs, Continued

Entrepreneurship, Venture and Commercialization Support, Continued

The Small Business Ombudsperson (SBO) serves as a key point of entry and referral service for small businesses seeking guidance or support from ESD or other NYS programs and agencies. The SBO reached an estimated 11,500 individuals through targeted email campaigns, one-on-one direct assistance, informational webinars, in-person conferences, and strategic outreach partnerships.

The NYS Contract Reporter, an online platform for New York State government procurement opportunities, currently has approximately 39,000 registered users. ESD maintains and promotes this platform, offering related training workshops to businesses, small business support organizations, and government entities. During Fiscal Year 2026, ESD provided direct technical assistance to 973 businesses and NYS government entities. This direct technical assistance helped users resolve inquiries concerning account technical issues, website functionality, NYS contract opportunity identification, and NYS procurement information.

Division of Science, Technology and Innovation

ESD's Division of Science, Technology, and Innovation ("NYSTAR") supports over 80 centers that help companies commercialize technologies and access the research and development capabilities of universities and the private sector. NYSTAR is the National Institute of Technology and Standards ("NIST") designated Manufacturing Extension Partnership (MEP) lead and through this federal funding, augmented with State funds, supports a network of twelve MEPs.

NYSTAR established the Innovation Matching Grants ("SBIR/STTR") Program. NYSTAR is providing matching funds for federal Small Business Innovation Research ("SBIR") and/or Small Business Technology Transfer ("STTR") grants to grow small businesses and support the development of new technologies in New York. NYSTAR received more than 200 applications, totaling nearly $11 million for 88 businesses.

NYSTAR also supports the Fashion Innovation Center ("FIC"). Funded with $9 million from New York Work's Economic Development Fund, the FIC is a consortium whose purpose is to nurture and energize a sustainable fashion industry in New York, including the end-to-end supply chain and lifecycle from farms to fashion to recycling. Together, Rensselaer Polytechnic Institute, the Hudson Valley Textile Project, SUNY Morrisville, the Fashion Institute of Technology, Made X Hudson, and the Field to Fiber Company will operate the Center, representing New York State.

Economic Development Programs and Initiatives, Continued

Small Business Programs, Continued

Life Sciences Support

The Life Science Initiative seeks to capitalize on New York's unparalleled academic life science assets to build a successful commercial life science ecosystem. The strategic focus is to attract, grow and retain life science companies in regions of the State with clusters of existing life science activity by addressing key gaps in the ecosystem. The Life Sciences Initiative has played an important part in contributing to the explosive growth of venture capital investments in New York life science companies; in the creation and growth of new life science companies; in the creation of accelerated paths to commercialization; and in the development of life science entrepreneurial talent.

Since its launch in 2017, the Program has directly contributed to building the State's life science sector, generating $6.2 billion of leveraged investment in the State; incentivizing 86 new life science companies to locate in (or relocate to) the State; and creating 842 direct jobs in New York.

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 2026, commitments of $226 million were made from the $455 million provided for the renovation of Belmont Race Track to further the improvements to Belmont Park. Commitments of over $543 million were made from the $800 million New York State Regional Economic and Community Assistance Program 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. Funding of over $169 million was also committed from the Long Island Investment Fund to support projects located within Nassau and Suffolk counties, to support manufacturing, agriculture, business parks, community anchor facilities, advanced technology, biotechnology and biomedical facilities, and main street revitalization.

During fiscal 2026, construction continued on the new Buffalo Bills Stadium complex – site preparation and excavation of the "bowl" were completed in October 2023; site work 85% complete; concrete foundations and concourse flatwork were completed in March 2025; steel erection was completed in April 2025; interior walls over 60% complete; mechanical/electrical/plumbing/fire protection systems over 90% complete; and the exterior over 90% complete. Over $601 million was provided for this work. The new stadium is being constructed as a first-class facility that will be competitive based on objective metrics with other comparably

Economic Development Programs and Initiatives, Continued

Capital Program Initiatives, Continued

sized, publicly financed and owned, multiuse, outdoor sports and community venue projects recently constructed both nationally and internationally.

Regional Economic Development Councils ("REDC's")

To enhance ESD's business outreach and emphasize local priorities, New York's REDC initiative was established in 2011, supported, in part, by funding via the Regional Council Capital Fund as part of the State's fiscal year budget. Since 2011, the Regional Council Capital Fund, which is administered by ESD, has made available over $1.726 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 2026, the ESD Directors and Chief Executive Officer ("CEO") approved financial assistance for over 4,786 companies and organizations through the REDC initiative and other programs. These programs include the Buffalo Regional Innovation Cluster, the New York Works Program, the Empire State Economic Development Fund, the Market NY Program, the Upstate Revitalization Initiative, the Downtown Revitalization Initiative, the Lake Ontario Resiliency and Economic Development Program, FAST NY, the ConnectALL Municipal Infrastructure Program, the New York State Life Science Initiative, the Community Development Financial Institution program, Global New York, the Empire State Entertainment Diversity Job Training Development Fund Grant Program, the Innovation Matching Grants Program, the Regional Economic and Community Assistance Program, and the Restore NY Communities Initiative, which promote the economic development and health of New York State by facilitating the creation and/or retention of jobs or increased economic activity. During this period, the $1.09 billion ESD investment is expected to leverage an additional $1.91 billion in total investment, resulting in the retention and creation of over 4,552 jobs.

Buffalo Regional Innovation Cluster

The Buffalo Regional Innovation Cluster (the "Program") was first 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,

Economic Development Programs and Initiatives, Continued

Buffalo Regional Innovation Cluster, Continued

workforce development, and the use of placemaking/smart growth principles). Projects developed have been large, catalytic, and transformative, each best leveraging the region's assets. These included new institutions like the Northland Workforce Training Center ("NWTC"), which pioneered a new model for workforce training/placement focusing on residents of the region's most underserved and underrepresented populations in the local manufacturing workforce; redevelopment of the once largely-abandoned Northland-Beltline Corridor that surrounds NWTC on Buffalo's East Side; the establishment of Buffalo Manufacturing Work, a not-for-profit consulting entity operated by the Edison Welding Institute that assists regional small- and medium-size manufacturers in applying innovation/technology improvements to sustain and expand their operations; and the establishment of the Better Buffalo Fund, which provides gap financing assistance. Buffalo Regional Innovation Cluster funds were also used for initial acquisition/redevelopment activities on Buffalo's Outer Harbor waterfront.

In Fiscal Year 2018, an additional $500 million was included in the State budget to launch a second phase of the Program, intended to build upon the success of the projects/programs already launched and focusing upon smaller-scale neighborhood efforts to expand economic opportunities to all Western New Yorkers. Among the activities in Phase II is the multi-pronged East Side Corridors Economic Development Fund, a place-based community development effort, which established small business grant programs in key East Buffalo business districts and initial efforts at revitalization of iconic community anchors like the Olmsted-designed MLK Park, the Broadway Market, the Michigan Street African American Heritage Corridor, and the Buffalo Central Terminal; and a Western New York Workforce Development Challenge program effort to provide assistance to advance the model piloted at the NWTC. Over the past year, these efforts continue to be advanced, with key elements reaching completion.

In Niagara Falls, the Program also funded the Downtown Niagara Falls Strategic Land Acquisition Program, which has focused upon freeing up land parcels held for decades for speculative purposes and best preparing them to be made available for sensitive downtown infill development. Construction has started on a Niagara Falls Cultural Gateways project, which involves public access/recreation improvements on USA Niagara-acquired properties to both complement other local offerings and to enhance the value of these vacant lands for future infill development. In addition, work began on the restoration of the historic Hotel Niagara. Phase II funds are also supporting a companion Niagara Falls Strategic Economic Development Fund, a place-based strategy following the community planning approach applied on Buffalo's East Side.

Efforts under the Program have also set the stage to leverage additional funding. For example, the U.S. Economic Development Administration named ESD-WNY's application under the "Build Back Better Regional Challenge" a winner for a $25 million program.

Economic Development Programs and Initiatives, Continued

Marketing

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 economy 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 efforts also include promotion of various business development related support programs such as grants, loans, technical assistance, etc. Marketing activities include the development and placement of broadcast, print, digital, search and out of home advertising, paid and organic social media, web content, experiential marketing and presence at select trade shows and events. Ongoing marketing effectiveness research and media analytics are conducted to ensure ESD is reaching its performance goals including impressions, website visits and perceptual changes in consideration and ultimately, job creation and economic impact. Marketing efforts under the I LOVE NY umbrella have helped the NYS tourism economy recover from the effects of the COVID-19 pandemic and return to pre-COVID highs across most metrics. During Fiscal Year 2026, business marketing efforts were focused on industry specific messaging and updating of industry specific web assets, as well as promoting ESD driven programs designed to assist and encourage businesses to move to or expand in New York State.

Economic Development Tax Incentives

Following is a subset of New York State's tax incentive programs. These programs are established in statute and ESD administers them pursuant to program regulations. Participants in these programs may earn refundable tax credits if program requirements are met. 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 targeted industries ranging from biotechnology to manufacturing. Businesses 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.

Economic Development Programs and Initiatives, Continued

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 funding of $700 million which includes $45 million set aside for post-production only applications 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.

New York City Musical and Theatrical Production Tax Credit Program

ESD administers the NYC Musical and Theatrical Tax Credit Program (the "Program") which was designed to jump start the entertainment industry and support tourism in NYC post pandemic. Qualified production companies that perform and conduct productions at qualified production facilities in NYC may receive fully refundable tax credits of 25 percent of qualified production expenditures. Program funding of $400 million has been made available through 2027.

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.

Life Sciences Tax Credit Program

ESD administers the Life Sciences Research and Development Tax Credit Program (the "Program") which provides incentives to support new life science businesses locating, inventing, commercializing, and producing in New York. Annual Program credits of $10 million are available to eligible businesses. Businesses can apply for up to three consecutive years and are subject to a $500,000 cap per year.

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:

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 on the West Side of Manhattan ("Javits"). 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, 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 38th to 40th Streets: a 480,000 square foot truck garage, including 27 new loading docks; 92,000 square feet of new prime exposition space; 40,000 square feet of new state-of-the-art meeting room space; a 58,000 square foot ballroom/special event space accommodating 6,000 people; 113,000 square feet of pre-function space; a roof-top 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 the relocation of certain utilities.

The completed Project has obtained the permanent Certificate of Occupancy. The expansion was completed within the established contract amounts.

During Fiscal Year 2026, CCDC Board of Directors authorized CCDC to enter into a Capital Funding Agreement with the New York Convention Center Operating Corporation ("CCOC") utilizing remaining construction bonds and appropriations issued in conjunction with the Javits Expansion Project and intended for capital improvements. Under the terms of the agreement fully executed during Fiscal Year 2026, CCDC made available $10 million to CCOC in order for CCOC to carry out necessary capital improvements to maintain Javit's physical facilities. The Agreement contained provisions that settle all outstanding amounts due to CCOC for any remaining claims, including but not limited to, the Javits Expansion Project and Historical Expansion Costs.

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

Subsidiaries and Economic Development Projects, Continued

Harlem Community Development Corporation, Continued

Certification, marketing and promoting 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 counseling for first time home buyers that's certified by the U.S. Department of Housing and Urban Development and co-sponsors home buyer education and financial literacy workshops.

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 administered through New York State Homes and Community Renewal. It improves the quality of life of Harlem residents and helps preserve 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, 2026, more than $3.46 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.

Subsidiaries and Economic Development Projects, Continued

Atlantic Yards/Pacific Park Brooklyn Project

Atlantic Yards is a 22-acre site at Flatbush and Atlantic Avenues in Brooklyn - comprising the Barclays Center, transit and infrastructure improvements, 16 residential and commercial towers (2,250 of the 6,430 housing units will be affordable), an upgraded LIRR train yard and eight acres of public open space.

Through Fiscal Year 2026, the arena and eight residential buildings have been completed totaling 3,212 residential units, with 43% affordable units. The Project has delivered approximately three acres of public open space. Local retail amenities, NY Presbyterian healthcare offices, a public middle school, and an indoor recreational facility are either open or currently under development. Improvements to the LIRR yards are substantially complete. The upgrades have significantly improved LIRR operations providing a more efficient access point to the Atlantic Terminal Station from the train yards.

During Fiscal Year 2026, the proposed joint venture between Cirrus and LCOR Development for all remaining portions of the project, Blocks 1120 and 1121 (the "Platform Sites"), parcel B1, and Site 5 was approved.

ESD maintains its commitment to community input and continues to have a strong presence in the community and with local elected officials.

Erie Canal Harbor Development Corporation

Erie Canal Harbor Development Corporation ("ECHDC") is guided by its vision to revitalize Western New York's waterfront and to 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.

During the Fiscal Year 2026, the following occurred:

(i) Longshed Building at Canalside - to celebrate the Erie Canal Bicentennial, the "Waterway of Change" exhibit opened. ECHDC contracted the design and fabrication of these exhibits that will remain in the Longshed for the next three years.

Subsidiaries and Economic Development Projects, Continued

Erie Canal Harbor Development Corporation, Continued

(ii) D2 Parcel - construction of a five story, mixed-use building on the parcel just south of the East Canal is being planned. ECHDC completed the relocation of several utilities on the site to facilitate construction in 2020. A portion of City owned land should be transferred in mid-2026 to allow the development to move forward.

(iii) Slip No. 3 (Michigan Pier) - construction at Slip No. 3, which is a 6-acre in-water habitat restoration project with the USACE, began in the Summer of 2023 and will take approximately ten years to complete. The project will use Buffalo River dredging material over the next eight years to fill the slip before finishing the under-water surface with aquatic plantings.

(iv) Cruise Ship Terminal - in 2025, ECHDC issued an RFP for Cruise Terminal design consultants to move the terminal concept at Slip 2 of the Outer Harbor into construction documents. The design has been progressing. It is the goal for the terminal to receive ships in August 2027.

(v) Terminal B Improvements - in December 2022, an intense winter storm hit the seawall behind the Terminal B Events Center. ECHDC issued an engineering RFP in March 2025 to design a new guardrail, repair the adjacent walking surface, and provide additional lighting. The project will be under construction beginning in 2026.

(vi) Other considerations include:

(a) North Aud Block - ECHDC is planning for the development of the Aud block North of the Historic Public Canals. ECHDC has finalized construction for the Canalside Visitor Center - "Gateway Building". The Canalside Gateway Building, renamed "The Chandlery", is a four-story structure to allow for visitor question services and public restrooms, as well as on-site operations, meeting space, offices and back-of-house storage. The plan is to construct four buildings with commercial and residential programming.

(b) Terminal A - an Advisory Group is reviewing the conditions of this 600,000 GSF structure located on the Outer Harbor. ECHDC will consider reissuing a development RFP before the end of 2026.

(c) Cruise Ship Feasibility Study of the possibility of Great Lake cruise ships docking at Buffalo NY, potentially at one of the sites along either Canalside, or the Outer Harbor.

Subsidiaries and Economic Development Projects, Continued

Erie Canal Harbor Development Corporation, Continued

(d) City of Buffalo Canalside Parcels - for the past twelve years, ECHDC has had an agreement with the City of Buffalo to manage and maintain the City's multiple parcels within Canalside. ECHDC and the City of Buffalo have been in discussions to transfer the parcels into ECHDC ownership.

(e) Michigan Pier Improvements - ECHDC will issue an RFP for design services to examine the conditions of the Michigan Pier walls and design upland improvements.

USA Niagara Development Corporation

Another commitment to Western New York is the USA Niagara Development Corporation ("USAN") mission 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 (i.e., phases) with different development cycles, such as smaller, short-term efforts that are ripe for action - contributing to activity now - but also setting the stage for larger future projects. This approach has proven to be successful as USAN has completed or substantially completed aspects of approximately 52 projects and is actively working on eight other projects, totaling $534 million. These efforts range from a downtown visitor center and a state-of-the-art convention center to a host of mixed-use hotel projects, including generational changes like the restoration of Old Falls Street and removal of segments of the former Robert Moses Parkway along the City's waterfront.

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

During the Fiscal Year 2026, USAN continued efforts on the following projects:

(i) The Heritage Gateways Project aims to expand activities downtown while strengthening the connections between downtown Niagara Falls and Niagara Falls State Park. Construction is underway, with an anticipated completion in late 2026.

Subsidiaries and Economic Development Projects, Continued

USA Niagara Development Corporation, Continued

(ii) The First Street Apartment Building Redevelopment Project includes the construction of a six-story, mixed-use building located on a portion of a formerly USAN-owned property on the corner of First Street and Old Falls Street. The proposed building will have approximately 73 apartments and 4,700 square feet of commercial space.

(iii) Foster Upgrading/Expansion & Infill Development - USAN continues to work with the City on private proposals to develop/expand lodging, retail, and residential projects downtown. Over the last ten years, USAN has participated in eight hotel projects which created approximately 730 new rooms and renovated 357 existing rooms. Total project cost of these hotel projects is approximately $131 million, with $118 million of that as private investment and public investment totaling $13.2 million. USAN's current key hotel development project is the restoration of the Hotel Niagara with an estimated cost at $58.8 million.

(iv) Strategic Land Acquisition Program - the intent for the acquisition program is to establish a fund to help "free up" parcels when a strategic opportunity avails itself. To date, USAN has closed on most of the commercial properties in the Third Street business district, completed the demolition of the vacant Snow/Adventure Park and vacant Roadway Inn, and has development plans in place for the remaining properties.

(v) Adaptive reuse of the former Rainbow Center Mall to establish greater public access and walkability, create commercial opportunities, and modernize parking resources to support new and existing businesses at or near the mall site.

(vi) Niagara Falls Convention Center & Old Falls Street - the continued management and operation of the Niagara Falls Convention Center and the City owned Old Falls Street.

Other Economic Development Projects

Other examples of ESD's economic development included SUNY NY Albany Nanotech Complex, Albany Nanotech Campus Expansion, BNL Electron-Ion Collider, and Empire AI.

The following is a summary of the Corporation's financial information as of and for the years ended March 31, 2026, 2025 and 2024:

SUMMARY OF CONSOLIDATED STATEMENTS OF NET POSITION

	2026	2025	2024
Assets		(In thousands)	
Current assets:			
Cash, equivalents and temporary investments	$ 215,219	212,957	223,984
Other current assets	6,021,057	6,693,050	7,244,768
Total current assets	6,236,276	6,906,007	7,468,752
Non-current assets:			
Loans and financing arrangements receivable	118,872	93,984	85,949
Due from State of New York	9,391,904	9,922,142	10,087,778
Due from New York Job Development Authority	20,677	29,730	28,766
Capital assets, net	5,967,299	5,531,415	5,086,999
Lease and public-private partnership receivable	208,640	214,022	219,964
Other non-current assets	150,955	153,563	149,459
Total non-current assets	15,858,347	15,944,856	15,658,915
Total assets	22,094,623	22,850,863	23,127,667
Deferred outflows of resources	32,261	24,769	28,641
Liabilities			
Current liabilities:			
Bonds and notes payable	196,830	345,615	129,390
Other current liabilities	506,924	518,635	497,636
Total current liabilities	703,754	864,250	627,026
Non-current liabilities:			
Bonds and notes payable	15,247,135	16,196,524	17,194,132
Other non-current liabilities	593,026	453,771	508,734
Total non-current liabilities	15,840,161	16,650,295	17,702,866
Total liabilities	16,543,915	17,514,545	18,329,892
Deferred inflows of resources	480,428	690,547	618,745
Minority interest	351,913	374,480	398,215
Net position			
Restricted:			
Appropriations repayable under prescribed conditions	197,554	197,554	197,554
Other restricted for specific purposes	261,352	258,873	215,302
Total restricted	458,906	456,427	412,856
Net investment in capital assets	4,291,722	3,839,633	3,396,600
Total net position	$ 4,750,628	4,296,060	3,809,456

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

	2026	2025	2024
		(In thousands)	
Operating revenue:			
Interest and finance income from:			
Residential projects	$ 357	3,596	5,040
Nonresidential projects	20,593	19,631	21,459
Hotel tax revenue	55,600	50,979	49,179
Reimbursed grants	516,631	397,101	74,788
Economic development grants	1,274,608	1,081,654	735,173
State appropriation for programs	123,135	245,583	231,282
Other revenue	190,159	141,682	141,349
Total operating revenue	2,181,083	1,940,226	1,258,270
Operating expenses:			
Interest on subsidiary project bonds	42,115	42,639	43,149
Reimbursed grants	581	4,630	15,048
Economic development grants	1,274,929	1,081,713	735,959
General and administrative	221,914	178,681	155,703
Subsidiary program and administrative	33,983	47,070	40,904
Provision for loss on loans and financing arrangements receivable and investments in other assets	-	75	3,591
Program funds returned to State of New York	32,975	-	-
Depreciation	173,431	175,179	175,202
Total operating expenses	1,779,928	1,529,987	1,169,556
Minority interest	22,567	23,736	24,420
Operating income	423,722	433,975	113,134
Non-operating revenue	822,624	961,470	1,005,894
Non-operating expenses - interest and other costs on State revenue bonds	791,778	908,841	963,964
Change in net position	454,568	486,604	155,064
Net position at beginning of year	4,296,060	3,809,456	3,654,392
Net position at end of year	$ 4,750,628	4,296,060	3,809,456

Liquidity

The Corporation's cash, equivalents and temporary investments totaled approximately $215.2 million, $213.0 million and $224.0 million at March 31, 2026, 2025 and 2024, respectively. During fiscal 2026, the $2.2 million increase was primarily due to an increase in interest income on investments.

During fiscal 2025, the $11.0 million decrease was primarily due to decreases in payments related to non-residential projects and interest income on investments.

Capitalization

As of March 31, 2026, 2025 and 2024, ESD had $13.8 billion, $14.9 billion and $15.7 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, 2026

In March 2026 and October 2025, the Dormitory Authority of the State of New York refunded ESD bonds totaling $263.4 million and $373.2 million, respectively. Also, in October 2025, ESD defeased bonds totaling $123.4 million.

Fiscal Year Ended March 31, 2025

In September 2024, ESD defeased bonds totaling $981.6 million.

In September 2024, ESD issued $331.3 million in State Sales Tax Revenue Bonds Series 2024A (Tax-Exempt) (the "Series 2024 Bonds"). The Series 2024 Bonds were issued for the purpose of (i) financing or reimbursing all or a portion of the costs of certain programs and projects within the State, including but not limited to economic development projects, housing projects, State and Municipal Projects ("SAM") and transportation initiatives, and (ii) paying certain costs relating to the issuance of the Series 2024A Bonds.

Investment Ratings

As of March 31, 2026, 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 2023A	Aa1	AA+
State Personal Income Tax Revenue Bonds Series 2023A	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, 2026 is $454.6 million compared with $486.6 million in Fiscal Year 2025. The $32.0 million decrease is primarily due to lower State appropriation funding related to the construction of a new Stadium in Western New York, partially offset by increases in reimbursed and economic development grants. Operating expenses increased mainly due to higher economic development grant expenses, as well as increases in general and administrative expenses and program funds returned to the State.

The change in net position for the Fiscal Year ended March 31, 2025 is $486.6 million compared with $155.1 million in Fiscal Year 2024. The $331.5 million increase is primarily due to recognition of a State appropriation for programs related to the construction of a new Stadium in Western New York offset by a decrease in non-operating revenue attributed to investment earnings and an increase in general and administrative expenses.

Revenue

Fiscal Year Ended March 31, 2026

Operating revenue in Fiscal Year 2026 is approximately $2,181.0 million compared with $1,940.2 million, in Fiscal Year 2025. The $240.8 million increase is primarily due to the following:

- Economic development grants increased by $193.0 million due to an increase in activity within the following programs/projects: Belmont Race Track Redevelopment, High-Tech Innovation, and Transformative Investment;
- Reimbursed grants revenue increased by $119.5 million, primarily due to a $122.4 million increase in reimbursement revenue mainly related to funding for the construction of a new stadium in Western New York. Additional increases included $0.9 million associated with Erie Canal Harbor Development Program expense reimbursements. These increases were partially offset by a $3.8 million decrease in HUD grant funding related to LMDC;
- Other revenue increased by $48.4 million, primarily due to a $45.6 million increase in federal administrative income, including $24.3 million for Connect All, $18.9 million related to Travel, Tourism, and Outdoor Recreation initiatives and $2.4 million associated with Regional Development programs. State advertising and marketing income also increased by $7.6 million year-over-year. These increases were partially offset by a $4.8 million decrease in SSBCI2 program income; and
- Hotel tax revenue increased by $4.6 million due to an increase in tourism throughout the five boroughs of New York City.

The above increases were offset by decreases in the following categories:

- Interest and finance income from residential and non-residential projects decreased by a net $2.3 million due to a reduction in payment amounts in accordance with existing loan and financing agreements; and
- State appropriation for programs decreased by $122.4 million due to meeting the State's budget contribution threshold of $600.0 million during Fiscal Year 2026 on the construction of the new stadium in Western New York.

Non-operating revenue is approximately $822.6 million in Fiscal Year 2026 compared to $961.5 million in Fiscal Year 2025. The $138.9 million decrease is primarily due to a decrease of $115.9 million in bond interest resulting from various bond refunds and maturities. In addition, gains on sale of investments decreased by $23.0 million compared to prior fiscal year.

Revenue, Continued

Fiscal Year Ended March 31, 2025

Operating revenue in Fiscal Year 2025 is approximately $1,940.2 million compared with $1,258.3 million, in Fiscal Year 2024. The $681.9 million increase is primarily due to the following:

- Economic development grants increased by $346.5 million due to an increase in activity within the following programs/projects: SUNY NY Albany Nanotech Complex, NY Works, Belmont Park Arena Redevelopment, Buffalo Regional Innovation Cluster and the Life Sciences Initiative;
- Reimbursed grants revenue increased by $322.5 million due to an increase of $360.5 million in grant funding for the construction of a new stadium in Western New York. This was offset by decreases in HUD grant funding of $11.5 million to LMDC and funding of $11.4 million for ECHDC, $10.6 million for ESD and $4.5 million for New York Empowerment Zone;
- State appropriation for programs increased by $14.4 million due to the receipt of State budget appropriation funding related to the construction of a new stadium in Western New York; and
- Hotel tax revenue increased by $1.8 million due to an increase in tourism throughout the five boroughs of New York City.

The above increases were offset by decreases in the following categories:

- Interest and finance income from residential and nonresidential projects decreased by $3.3 million due to a reduction in payment amounts in accordance with existing loan and financing agreements.

Non-operating revenue is approximately $961.5 million in Fiscal Year 2025 compared to $1,005.9 million in Fiscal Year 2024. The $44.4 million decrease is due primarily to a decrease of $64.7 million in bond interest due to various defeasances, offset by an increase of $11.9 million in investment earnings and the change in the fair value of investments and $8.4 million in finance fee income on the issuance of new bonds.

Expenses

Fiscal Year Ended March 31, 2026

Operating expenses in Fiscal Year 2026 are approximately $1,779.9 million compared to $1,530.0 million in Fiscal Year 2025. The $249.9 million increase is primarily due to the following:

- Economic development grants increased by $193.2 million due to increases in activity within the following programs/projects: Belmont Race Track Redevelopment, High-Tech Innovation, Transformative Investment, and Restore NY Communities;
- General and administrative expense increased by $43.2 million primarily due to increases in federal administration grant disbursements, U.S. Treasury payment levied on issuers of tax-exempt bonds, salaries and fringe benefits, advertising costs and miscellaneous fees; and
- Program funds returned to the State of New York increased by $33.0 million.

The above increases were offset by the following decreases:

- Subsidiary program and administrative expense decreased $13.1 million due to a decrease in consulting/legal fees, construction hard costs and infrastructure capital improvements for ECSC and ECHDC;
- Reimbursed grants expenses decreased by $4.0 million due to a decrease in HUD grant funding to LMDC as it nears completion;
- Provision for loss on loans and leases receivable and investments in other assets of $0.1 million due to a decrease in loan workouts;
- Interest on subsidiary project bonds decreased by approximately $0.5 million due to a refund of CCDC Revenue Bonds, Series 2015 and Series 2016; and
- Depreciation decreased by approximately $1.8 million primarily related to the former lease of office space at 633 Third Avenue, which expired on June 30, 2025.

Non-operating expenses - interest and other costs on State revenue bonds is approximately $791.8 million in Fiscal Year 2026 compared to $908.8 million in fiscal 2025. The $117.0 million decrease is due primarily to a decrease in bond debt service and other costs resulting from various bond refunds and maturities.

Expenses, Continued

Fiscal Year Ended March 31, 2025

Operating expenses in Fiscal Year 2025 are approximately $1,530.0 million compared to $1,169.5 million in Fiscal Year 2024. The $360.5 million increase is primarily due to the following:

- Economic development grants increased by $345.8 million due to increases in activity within the following programs/projects: SUNY NY Albany Nanotech Complex, NY Works, Belmont Park Arena Redevelopment, Buffalo Regional Innovation Cluster and the Life Sciences Initiative;
- General and administrative expense increased by $23.0 million primarily due to increases in salaries and fringe benefits, advertising costs and miscellaneous fees; and
- Subsidiary program and administrative expense increased $6.1 million due to consulting fees, property maintenance and infrastructure capital improvements for ECSC, ECHDC, MSDC and HCDC.

The above increases were offset by the following decreases:

- Reimbursed grants expenses decreased by $10.4 million due to a decrease in HUD grant funding to LMDC;
- Provision for loss on loans and leases receivable and investments in other assets of $3.5 million due to a decrease in loan workouts; and
- Interest on subsidiary project bonds decreased by approximately $0.5 million due to a decrease in bond interest expense for the CCDC Revenue Bonds, Series 2015 and Series 2016.

Non-operating expenses - interest and other costs on State revenue bonds is approximately $908.8 million in Fiscal Year 2025 compared to $964.0 million in fiscal 2024. The $55.2 million decrease is due primarily to a decrease in bond debt service and other costs resulting from various bond defeasances which was offset by costs for the issuance of new bonds.

Request for Information

This financial report is designed to provide a general overview of ESD's finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial Officer, New York State Urban Development Corporation d/b/a Empire State Development, 655 Third Avenue, New York, New York 10017.

CONSOLIDATED FINANCIAL STATEMENTS

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Consolidated Statements of Net Position
March 31, 2026 and 2025

	2026	2025
Assets	(In thousands)	
Current assets:		
Cash and equivalents	$ 25,486	45,247
Temporary investments	189,733	167,710
	215,219	212,957
Cash and investment securities restricted or designated for:		
State revenue bonds	4,423,351	4,994,717
Economic development	747,385	674,889
Subsidiary and other purposes	813,880	987,918
	5,984,616	6,657,524
Loans and financing arrangements receivable:		
Non-residential, principally financing arrangements	3,000	3,030
Economic development loans	941	712
	3,941	3,742
Lease and public - private partnership receivable	5,776	5,942
Other current assets	26,724	25,842
Total current assets	6,236,276	6,906,007
Non-current assets:		
Loans and financing arrangements receivable:		
Non-residential, principally financing arrangements	12,380	16,727
Economic development loans	106,492	77,257
	118,872	93,984
Due from State of New York	9,391,904	9,922,142
Due from New York Job Development Authority	20,677	29,730
Capital assets, net	5,967,299	5,531,415
Lease and public - private partnership receivable	208,640	214,022
Other non-current assets	150,955	153,563
Total non-current assets	15,858,347	15,944,856
Total assets	22,094,623	22,850,863
Deferred outflows of resources		
Deferred loss on refunding	678	737
Pensions	9,822	11,626
Contributions subsequent to measurement date - pensions	6,702	5,414
Post-employment benefits other than pensions	15,059	6,992
Total deferred outflows of resources	32,261	24,769

(Continued)

See accompanying notes to consolidated financial statements.

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

	2026	2025
Liabilities	(In thousands)	
Current liabilities:		
Bonds and notes payable:		
State revenue bonds	$ 173,405	323,465
Project revenue bonds - New York Convention Center Development Corporation	23,425	22,150
	196,830	345,615
Accounts payable and accrued expenses	238,485	290,660
Interest payable	36,643	39,327
OPEB liability	6,701	6,144
Lease liability	2,628	772
Other current liabilities	222,467	181,732
Total current liabilities	703,754	864,250
Non-current liabilities:		
Bonds and notes payable:		
State revenue bonds	13,595,430	14,536,880
Project revenue bonds - New York Convention Center Development Corporation	1,028,747	1,041,185
Other non-current financing	622,958	618,459
	15,247,135	16,196,524
Repayable to related governmental entities	540	1,199
Net pension liability - proportionate share - ERS	20,250	14,998
OPEB liability	128,498	130,208
Lease liability	94,269	96,897
Other non-current liabilities	349,469	210,469
Total non-current liabilities	15,840,161	16,650,295
Total liabilities	16,543,915	17,514,545
Commitments and contingencies (note 18)		
Deferred inflows of resources		
Leases and public - private partnerships	198,522	206,871
Grants payable	192,905	185,527
Pensions	459	7,855
Post-employment benefits other than pensions	56,711	48,427
Other	31,831	241,867
Total deferred inflows of resources	480,428	690,547
Minority interest	351,913	374,480
Net position:		
Restricted:		
Appropriations repayable under prescribed conditions	197,554	197,554
Other restricted for specific purposes	261,352	258,873
Total restricted	458,906	456,427
Net investment in capital assets	4,291,722	3,839,633
Total net position	$ 4,750,628	4,296,060

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, 2026 and 2025

	2026	2025
	(In thousands)	
Operating revenue:		
Interest and finance income from:		
Residential projects	$ 357	3,596
Nonresidential projects	20,593	19,631
Hotel tax revenue	55,600	50,979
Reimbursed grants	516,631	397,101
Economic development grants	1,274,608	1,081,654
State appropriation for programs	123,135	245,583
Other revenue	190,159	141,682
Total operating revenue	2,181,083	1,940,226
Operating expenses:		
Interest on subsidiary project bonds	42,115	42,639
Reimbursed grants	581	4,630
Economic development grants	1,274,929	1,081,713
General and administrative	221,914	178,681
Subsidiary program and administrative	33,983	47,070
Provision for loss on loans and financing arrangements receivable and investments in other assets	-	75
Program funds returned to State of New York	32,975	-
Depreciation	173,431	175,179
Total operating expenses	1,779,928	1,529,987
Minority interest	22,567	23,736
Operating income	423,722	433,975

(Continued)

See accompanying notes to consolidated financial statements.

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

	2026	2025
	(In thousands)	
Non-operating revenue:		
State appropriations for interest on state revenue bonds	$ 637,529	667,658
Interest and finance income earned on investment of state revenue bond proceeds	153,884	239,633
Other investment income, including change in fair value	31,211	54,179
Total non-operating revenue	822,624	961,470
Non-operating expenses - interest and other costs on state revenue bonds	791,778	908,841
Net non-operating revenue	30,846	52,629
Change in net position	454,568	486,604
Net position at beginning of year	4,296,060	3,809,456
Net position at end of year	$ 4,750,628	4,296,060

See accompanying notes to consolidated financial statements.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended March 31, 2026 and 2025

	2026	2025
	(In thousands)	
Cash flows from operating activities:		
Interest and finance income received	$ 20,950	23,227
Other operating receipts	171,360	147,400
Cash received from hotel tax revenue	55,240	50,916
Grants received	1,907,983	1,724,019
Interest payments on state revenue bonds	(42,115)	(42,639)
Payments for general and administrative expenses	(309,132)	(224,058)
Grant payments	(1,268,634)	(1,063,992)
Net cash provided by operating activities	535,652	614,873
Cash flows from non-capital financing activities - increase (decrease) in other liabilities	(36,077)	23,325
Cash flows from capital financing activities:		
Bond proceeds - state revenue bonds	-	331,320
Retirement of state revenue bonds	(1,091,510)	(1,107,035)
Accrued interest payable on revenue bonds	(2,389)	(1,386)
Payment of lease liability	(6,637)	(6,637)
Bond payments - New York Convention Center Development Corporation	(11,399)	(10,806)
Advances on behalf of State of New York for special projects	530,238	165,636
Net cash used in capital financing activities	(581,697)	(628,908)
Cash flows from investing activities:		
Proceeds from sales/maturities of investment securities	16,357,516	23,905,322
Purchase of investment securities	(15,706,628)	(23,370,227)
Investment income, net	30,846	52,629
Cash payments on behalf of the New York Job Development Authority	(1,479)	(966)
Payments received from the New York Job Development Authority	10,530	-

(Continued)

See accompanying notes to consolidated financial statements.

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

	2026	2025
	(In thousands)	
Cash flows from investing activities, continued:		
Payments received from projects financed by corporate revenue bonds	$ 4,377	3,825
Collections on economic development loans	(30,123)	(11,889)
Investment in real property and office equipment	(602,678)	(612,958)
Net cash provided by (used in) investing activities	62,361	(34,264)
Net change in cash and equivalents	(19,761)	(24,974)
Cash and equivalents at beginning of year	45,247	70,221
Cash and equivalents at end of year	$ 25,486	45,247
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	423,722	433,975
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	173,431	175,179
Minority interest	(22,567)	(23,736)
Provision for loss on loans and financing arrangements receivable and investments in other assets	-	75
Changes in:		
Lease and public - private partnership receivable	5,548	5,716
Other current assets	(882)	3,889
Other non-current assets	2,608	(4,104)
Deferred outflow - pensions	516	(1,038)
Deferred outflow - OPEB	(8,067)	4,848
Accounts payable and accrued expenses	(52,175)	(10,967)
Net pension liability	5,252	(4,527)
Deferred inflow - grants payable	7,378	28,679
Deferred inflow - pensions	(7,396)	6,925
Deferred inflow - OPEB	8,284	(41)
Net cash provided by operating activities	$ 535,652	614,873

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 $2.8 billion from the United States Department of Housing and Urban Development ("HUD") and the Federal Transportation Administration. Approximately $1.0 million and $4.9 million was received and disbursed during the years ended March 31, 2026 and 2025, 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 years ended March 31, 2026 and 2025.

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 Life Sciences Tax Credit Program which provides incentives to support new life science businesses locating, investing, commercializing and producing in New York.

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-cancellable 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 2026 and 2025, ESD received $1.663 billion and $1.147 billion, respectively, from the State.

Funds received from the State were used to meet principal payments of $331.5 million and $125.5 million in Fiscal Years 2026 and 2025, respectively, which were recorded as reductions of the amounts due from the State. In addition, during the Fiscal Years 2026 and 2025, ESD used $850.1 million and $601.0 million, respectively, of state revenue bonds investment earnings and state advances to meet principal and interest payments.

During Fiscal Year 2026, at the direction of the New York State Division of the Budget, ESD received $1.545 billion in advances for debt service obligations due throughout fiscal 2027 related to certain State supported debt. During Fiscal Year 2025, at the direction of the New York State Division of the Budget, ESD received $0.956 billion in advances for debt service obligations due throughout fiscal 2026 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, 2026 and 2025, construction costs incurred in the amount of approximately $601.2 million and $620.1 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 2027.

(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 lease and public - private partnership 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 fourth 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 benefited 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 consolidated financial statements were available to be issued.

(p) Reclassifications

Reclassifications have been made to certain 2025 balances in order to conform them to the 2026 presentation.

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, 2026 and 2025, 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):

Note 3 - Cash and Equivalents, Continued

	2026		2025	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured (FDIC)	$ 2,000	2,000	1,750	1,750
Uninsured - collateral held by custodian in ESD's name	224,745	226,155	395,601	398,183
Deposits held in trust for the Corporation's benefit	1,045,604	1,045,604	247,198	247,198
Petty cash and uncollateralized deposits	10	10	20	20
Total cash and equivalents	$ 1,272,359	1,273,769	644,569	647,151

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 that have adopted ESG principles and are rated "A-1" or better by Standard & Poor's Corporation or "P-1" or better by Moody's Investors Service, Inc.;
- Restricted cash held for subsidiaries and for other purposes insured by the FDIC or fully collateralized in ESD's name;

Note 4 - Fair Value of Financial Instruments, Continued

- 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, 2026 and 2025 consisted of the following (in thousands):

	2026		
	Cost	Fair Value	Unrealized Loss
U.S. Government and Federal Agency obligations	$ 4,928,389	4,919,811	(8,578)
Restricted cash	1,254,530	1,254,530	-
Total	$ 6,182,919	6,174,341	(8,578)

	2025		
	Cost	Fair Value	Unrealized Loss
U.S. Government and Federal Agency obligations	$ 6,226,175	6,217,279	(8,896)
Restricted cash	607,955	607,955	-
Total	$ 6,834,130	6,825,234	(8,896)

Fair Value Measurements

Accounting principles generally accepted in the United States of America established a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

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

The Corporation holds financial instruments with quoted prices in active markets for identical assets (level 1) of $4,919.8 million and $6,217.3 million at March 31, 2026 and 2025, respectively.

Note 4 - Fair Value of Financial Instruments, Continued

Restricted or designated investment securities held by ESD include cash and equivalents and investment securities amounting to $813.9 million and $987.9 million at March 31, 2026 and 2025, respectively. These amounts at March 31, 2026 and 2025 are restricted for special projects on behalf of the following subsidiaries/programs/purposes (in thousands):

	2026	2025
Subsidiary/Programs/Purposes:		
42nd Street Development Project	$ 26,041	23,873
New York Empowerment Zone Corporation	2,766	2,679
Queens West Development Corporation	24,567	25,034
Harlem Community Development Corporation	11,613	12,463
Enterprise Community	887	889
USA Niagara Development Corporation	5,738	5,152
Lower Manhattan Development Corporation	316	308
New York Convention Center Development Corporation	161,817	163,434
Erie County Stadium Corporation	53,062	268,358
ESD Moynihan Station (James A. Farley Post Office Building)	80,407	62,664
ESD One Bryant Park	10,348	9,835
ESD Columbia SAC	761	1,048
ESD Erie Canal Harbor Development Corporation	24,474	34,305
ESD Privatization Program	1,265	1,216
Empire State New Market Corporation	9,153	7,482
ESD OPEB Liability Account	39,049	37,521
ESD Brooklyn Arena Project, ESD Atlantic Yard Project - Phase	213	244
ESD 125 Maiden Lane	64,429	64,288
ESD New York	3,121	3,131
ESD Project Repair Program	15,097	14,506
ESD Farley	3,779	4,900
ESD Erie County Stadium Corporation Capital Improvement	1,145	1,115
ESD Arthur Kill Development Project	231	231
ESD Bronx Psychiatric Center Development Project	1,838	1,786
ESD Venture Atlantic Yard Project - Phase 2	1,690	449
Public Authority Control Board Authorized (including rent subsidy program in Lower Manhattan)	221,098	217,000
ESD Bayview Correctional Facility Project	962	1,071
Statewide Local Development Corporation	30	25
ESD Belmont Park	1,226	1,103
ESD SSBCI2.0 TA Grant	32,911	3,151
Other Purposes	13,846	18,657
Total	$ 813,880	987,918

Note 5 - Loans and Financing Arrangements Receivable

Nonresidential and commercial financing arrangements receivables, real estate investments and economic development loans at March 31, 2026 and 2025 consist of the following (in thousands):

	2026		2025	
	Number	Balance	Number	Balance
Non-residential and commercial financing arrangements receivables and real estate investments:				
Non-residential (a)	5	$ 14,093	5	16,636
Commercial (b)	-	-	4	1,803
Real estate investments (c)	7	1,287	10	1,318
Sub-total	12	15,380	19	19,757
Economic development loans (d)	77	107,433	74	77,969
Total	89	122,813	93	97,726
Less current portion		(3,941)		(3,742)
Non-current portion		$ 118,872		93,984

(a) Non-residential Financing Arrangement Receivables

Non-residential financing arrangement receivables included five projects outstanding in 2026 and 2025, which were owned by ESD. At March 31, 2026, all remaining terms exceeded one year.

(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 2026. Based on the existing TEP agreements, payments continue to the Corporation.

(c) Real Estate Investments

Real estate investments consist of approximately 355 acres of land (comprised of seven sites in 2026, 10 sites in 2025) in the Towns of Lysander and Amherst for residential, commercial and industrial development in the planned communities of Radisson and Audubon.

Note 5 - Loans and Financing Arrangements Receivable, Continued

(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, 2026 and 2025.

Note 6 - Capital Assets

Capital assets at March 31, 2026 and 2025 consists of the following (in thousands):

	2026			
	Balance at March 31, 2025	Additions	Adjustments/ Disposals	Balance at March 31, 2026
Land	$ 376,555	-	-	376,555
Buildings, improvements and construction in progress (incl. Farley)	4,134,055	609,169	-	4,743,224
Moynihan Train Hall	2,143,429	102	-	2,143,531
Furniture and equipment	41,385	44	-	41,429
Right to use asset	99,998	-	-	99,998
	6,795,422	609,315	-	7,404,737
Less accumulated depreciation	(1,264,007)	(173,431)	-	(1,437,438)
Total	$ 5,531,415	435,884	-	5,967,299

	2025			
	Balance at March 31, 2024	Additions	Adjustments/ Disposals	Balance at March 31, 2025
Land	$ 376,555	-	-	376,555
Buildings, improvements and construction in progress (incl. Farley)	3,513,518	620,537	-	4,134,055
Moynihan Train Hall	2,143,250	179	-	2,143,429
Furniture and equipment	41,392	-	(7)	41,385
Right to use asset	173,139	-	(73,141)	99,998
	6,247,854	620,716	(73,148)	6,795,422
Less accumulated depreciation	(1,160,855)	(175,179)	72,027	(1,264,007)
Total	$ 5,086,999	445,537	(1,121)	5,531,415

Note 6 - Capital Assets, Continued

(a) Buildings, Improvements and Construction In Progress

Major components of buildings, improvements and construction in progress at March 31, 2026 and 2025 are as follows (in thousands):

	2024	Net increase (decrease)	2025	Net increase (decrease)	2026
New York Convention Center Development Corporation	$ 2,830,710	339	2,831,049	7,956	2,839,005
USA Niagara	22,451	-	22,451	-	22,451
James A. Farley Post Office Building and other ESD property	412,794	67	412,861	14	412,875
Erie County Stadium Corporation	231,281	605,829	837,110	601,201	1,438,311
Other Subsidiaries	16,282	14,302	30,584	(2)	30,582
Total	$ 3,513,518	620,537	4,134,055	609,169	4,743,224

(b) James A. Farley Post Office Building

On March 30, 2007, ESD purchased 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

(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, 2026 and 2025 amounted to $173.4 million and $175.2 million, respectively.

Note 7 - Lease and Public - Private Partnership 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 during the year ending March 31, 2117. This receivable and related deferred inflow of resources were discounted to present value using an interest rate of 2.75%.

During Fiscal Year 2024, a construction target was met related to the master lease agreement for the multi-component Belmont Park Redevelopment Civic and Land Use Improvement Project. This agreement, and its amendments and sub-agreements, included annual payments to ESD of $1.12 million that began in the Fiscal Year 2024, and were to originally continue for 29 years through Fiscal Year 2053. In Fiscal Year 2026, the parties agreed to a two-year deferral of lease amounts. As a result, the deferral of annual rent payments will continue until Fiscal Year 2055. This agreement includes a prepayment option, with a 3.75% discount rate, and therefore the 3.75% discount rate was used in calculation of the receivable and related deferred inflow of resources.

Note 7 - Lease and Public - Private Partnership Receivable, Continued

The amortization of the lease receivable and associated deferred inflow of resources is as follows (in thousands):

Year ending	Principal	Interest	Total	Deferred inflow
2027	$ 438	5,300	5,738	2,328
2028	858	5,262	6,120	2,328
2029	885	5,235	6,120	2,328
2030	913	5,207	6,120	2,328
2031	941	5,179	6,120	2,328
2032 - 2036	5,165	25,435	30,600	11,641
2037 - 2041	6,031	24,569	30,600	11,641
2042 - 2046	7,054	23,546	30,600	11,641
2047 - 2051	8,260	22,340	30,600	11,641
2052 - 2056	8,117	20,915	29,032	11,027
2057 - 2061	5,122	19,878	25,000	8,574
2062 - 2066	5,874	19,126	25,000	8,574
2067 - 2071	6,737	18,263	25,000	8,574
2072 - 2076	7,726	17,274	25,000	8,574
2077 - 2081	8,861	16,139	25,000	8,574
2082 - 2086	10,162	14,838	25,000	8,574
2087 - 2091	11,655	13,345	25,000	8,574
2092 - 2096	13,366	11,634	25,000	8,574
2097 - 2101	15,329	9,671	25,000	8,573
2102 - 2106	17,581	7,419	25,000	8,573
2107 - 2111	20,163	4,837	25,000	8,573
2112 - 2116	23,125	1,876	25,001	8,573
2117	1,229	9	1,238	429
Total	$ 185,592	297,297	482,889	172,544

During Fiscal Year 2022, ESD entered into an agreement to receive guaranteed payments over ten years in the total amount of $52.5 million, in exchange for providing an operator right to sell advertising within the Moynihan Tain Hall. This agreement also included escalator clauses that could increase the payments received, based on the operator's related revenue. The amortization of the remaining guaranteed payments receivable and associated deferred inflow of resources is as follows (in thousands):

Note 7 - Lease and Public - Private Partnership Receivable, Continued

Year ending	Principal	Interest	Total	Deferred inflow
2027	$ 5,338	317	5,655	5,196
2028	5,547	250	5,797	5,196
2029	5,760	182	5,942	5,195
2030	5,978	113	6,091	5,195
2031	6,201	44	6,245	5,196
Total	$ 28,824	906	29,730	25,978

Note 8 - Other Assets

Other assets at March 31, 2026 and 2025 consist of the following (in thousands):

	2026	2025
Receivable from municipalities, other authorities and others	$ 20,056	22,591
Hotel tax receivable	4,603	4,243
Prepaid insurance	43	124
Reserve for commercial real estate projects	125,943	128,202
Other	27,034	24,245
	177,679	179,405
Less current portion	(26,724)	(25,842)
Non-current portion	$ 150,955	153,563

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 required contribution as active employees.

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

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, 2025, the date of the valuation used for the March 31, 2026 measurement, was as follows:

Active employees	519
Retired employees	208
Total	727

Total OPEB Liability

The Corporation's total OPEB liability of $135.2 million was measured as of March 31, 2026 and was determined by an actuarial valuation as of April 1, 2025. 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, 2025 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%
Discount rate	4.56%
Healthcare cost trend rates	5.50% decreasing to 4.04%

Changes in the Total OPEB Liability (in thousands)

Total OPEB liability as of April 1, 2024	$ 138,771
Changes for the year:	
Service cost	10,672
Interest on total OPEB liability	5,740
Differences between expected and actual experience	(6,089)
Changes in assumptions	(6,598)
Benefit payments	(6,144)
Total changes	(2,419)

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

Total OPEB liability as of March 31, 2025	$ 136,352
Changes for the year:	
Service cost	9,512
Interest on total OPEB liability	6,491
Differences between expected and actual experience	11,971
Changes in assumptions	(22,717)
Benefit payments	(6,410)
Total changes	(1,153)
Total OPEB liability as of March 31, 2026	$ 135,199

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 (3.56%) or 1-percentage-point higher (5.56%) than the current discount rate:

	1% Decrease (3.56%)	Discount Rate (4.56%)	1% Increase (5.56%)
Total OPEB liability	$ 158,339	135,199	116,772

This analysis represents sensitivity of the OPEB liability as of March 31, 2026.

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	$ 115,145	135,199	161,168

This analysis represents sensitivity of the OPEB liability as of March 31, 2026.

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

At March 31, 2026 and 2025 the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,059	11,463	6,992	14,320
Changes in assumptions	-	45,248	-	34,107
Total	$ 15,059	56,711	6,992	48,427

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

Year ending	
2027	$ (10,530)
2028	(9,712)
2029	(10,899)
2030	(5,628)
2031	(3,348)
Thereafter	(1,535)
	$ (41,652)

Note 10 - State Revenue Bonds

At March 31, 2026 and 2025, ESD's outstanding revenue bonds were as follows (in thousands):

(a) State Personal Income Tax Revenue Bonds (P.I.T.)	Balances 2026	Balances 2025	Coupon rates (%)	Maturity dates
State Facilities and Equipment				
2004 Series A-3	$ 61,885	69,885	Variable Note	2033
General Purpose				
2009 Series E (Taxable Build America)	385,240	451,240	5.77	2039
2010 Series C (Taxable Build America)	231,765	255,815	5.84	2040
2013 Series A-1	8,420	8,420	3.50 - 4.00	2043
2015 Series A	-	373,220	5.00	Redeemed
2016 Series A	-	263,400	3.25 - 5.00	Redeemed
2017 Series A	390,655	390,655	3.50 - 5.00	2047
2017 Series C	514,355	570,645	4.00 - 5.00	2047
2017 Series D (Taxable)	225,940	225,940	3.37 - 3.47	2032
2019 Series A	717,845	717,845	4.00 - 5.00	2048
2019 Series B (Taxable)	286,975	286,975	3.90	2033
2020 Series A	1,258,725	1,258,725	3.00 - 5.00	2050
2020 Series B (Taxable)	169,245	169,245	1.88 - 2.28	2033
2020 Series C	1,778,030	1,919,815	3.00 - 5.00	2050
2020 Series D (Taxable)	28,485	28,485	1.76	2030
2020 Series E	1,363,520	1,416,415	3.00 - 5.00	2050
2020 Series F (Taxable)	145,815	145,815	1.39 - 2.00	2033
2022 Series A	1,156,160	1,156,160	4.75 - 5.25	2051
2022 Series B (Taxable)	11,455	11,455	5.05 - 5.20	2032
2023 Series A	489,145	489,145	4.00 - 5.00	2063
2023 Series B (Taxable)	316,620	329,725	5.00	2042
Total State Personal Income Tax Revenue Bonds	9,540,280	10,539,025		

(Continued)

Note 10 - State Revenue Bonds, Continued

(b) State Sales Tax Revenue	Balances 2026	Balances 2025	Coupon rates (%)	Maturity dates
2019 Series A	$ 877,515	877,515	3.00 - 5.00	2049
2019 Series B (Taxable)	231,290	231,290	2.70 - 2.97	2034
2021 Series A	1,510,130	1,558,955	2.62 - 5.00	2051
2021 Series B (Taxable)	277,020	277,020	2.01 - 2.54	2034
2023 Series A	1,006,595	1,045,220	5.00	2053
2024 Series A	326,005	331,320	5.00	2054
Total State Sales Tax Revenue Bonds	4,228,555	4,321,320		
Total all issues	13,768,835	14,860,345		
Less current portion	(173,405)	(323,465)		
Total non-current revenue bonds	$ 13,595,430	14,536,880		

A summary of changes in outstanding revenue bonds at March 31, 2026 and 2025 is as follows:

	2026			
	Balance at March 31, 2025	Increases	Decreases	Balance at March 31, 2026
State Personal Income Tax Revenue Bonds	$ 10,539,025	-	(998,745)	9,540,280
State Sales Tax Revenue Bonds	4,321,320	-	(92,765)	4,228,555
Total	$ 14,860,345	-	(1,091,510)	13,768,835

	2025			
	Balance at March 31, 2024	Increases	Decreases	Balance at March 31, 2025
State Personal Income Tax Revenue Bonds	$ 11,507,675	-	(968,650)	10,539,025
State Sales Tax Revenue Bonds	4,128,385	331,320	(138,385)	4,321,320
Total	$ 15,636,060	331,320	(1,107,035)	14,860,345

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, 2026 and 2025 are as follows (in thousands):

	2026	2025
Due from State of New York	$ 9,391,904	9,922,142
Cash and investments	4,423,799	4,995,529
Less accrued interest payable	(26,413)	(28,804)
Less other	(20,455)	(28,522)
Bonds payable	$ 13,768,835	14,860,345

In March 2026 and October 2025, the Dormitory Authority of the State of New York refunded ESD bonds totaling $263.4 million and $373.2 million, respectively. Also, in October 2025, ESD defeased bonds totaling $123.4 million.

In September 2024, ESD defeased bonds totaling $981.6 million.

State Sales Tax Revenue Bonds Series 2024A

In September 2024, ESD issued $331.3 million in State Sales Tax Revenue Bonds Series 2024A (Tax-Exempt) (the "Series 2024 Bonds"). The Series 2024 Bonds were issued for the purpose of (i) financing or reimbursing all or a portion of the costs of certain programs and projects within the State, including but not limited to economic development projects, housing projects, SAM and transportation initiatives, and (ii) paying certain costs relating to the issuance of the Series 2024A Bonds.

Annual maturities and interest obligations on State revenue bonds for the five years following March 31, 2026 are as follows (in thousands):

	Principal	Interest (a)	Total
2027	$ 173,405	594,296	767,701
2028	181,990	584,889	766,879
2029	285,355	575,440	860,795
2030	846,245	560,810	1,407,055
2031	736,170	526,693	1,262,863
	$ 2,223,165	2,842,128	5,065,293

(a) Excludes variable interest rate.

Aggregate principal maturities subsequent to 2031 are approximately $11.5 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.

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

As of March 31, 2026 and 2025, CCDC's outstanding Revenue Bonds were as follows (in thousands):

2016 A and B Revenue Bonds		Balances 2026	Balances 2025	Coupon rates (%)	Remaining payments to
Serial	$	8,375	8,850	2.75 - 5.00	2056
Term		4,390	4,390	5.00	2041
Term		45,475	45,475	5.00	2046
Capital Apprec.		448,700	440,806	Zero Cpn	2056
		506,940	499,521		
Unamortized bond premium		7,994	8,503		
	$	514,934	508,024		

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

2015 Revenue Bonds	Balances 2026	Balances 2025	Coupon rates (%)	Remaining payments to
Serial	$ 217,515	232,590	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
	514,670	529,745		
Unamortized bond premium	22,568	25,566		
	$ 537,238	555,311		

	2026	2025
2016 A and B Revenue Bonds	$ 514,934	508,024
2015 Revenue Bonds	537,238	555,311
	1,052,172	1,063,335
Less current portion	(23,425)	(22,150)
Total non-current project Revenue Bonds - New York Convention Center Development Corporation	$ 1,028,747	1,041,185

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, 2026 are as follows (in thousands):

	Principal	Interest	Total
2027	$ 23,425	26,770	50,195
2028	24,745	25,938	50,683
2029	26,115	25,065	51,180
2030	27,530	24,148	51,678
2031	28,995	23,185	52,180
	$ 130,810	125,106	255,916

Aggregate principal maturities, including all accreted interest on capital appreciation debt, subsequent to 2031 are approximately $1.3 billion.

Note 12 - Other Financing

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.

Annual maturities and interest obligations on the TIFIA loan for the five years following March 31, 2026 are as follows (in thousands):

	Principal	Interest	Total
2027	$ 408	12,382	12,790
2028	2,503	12,391	14,894
2029	5,740	12,325	18,065
2030	7,934	12,194	20,128
2031	10,320	12,031	22,351
	$ 26,905	61,323	88,228

Aggregate principal maturities subsequent to 2031 are approximately $596.4 million, inclusive of capitalized interest.

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, New York. The initial lease term was for 10 years beginning July 1, 2013. Subsequently, the lease had been extended for an additional year, through June 30, 2024. The initial present value of this agreement was $72.0 million, using an implied interest rate of 0.84% and had been recorded as a right to use asset.

In July of 2023, ESD entered into an agreement with DOLP 655 Properties II LLC, for use of office space in the building at 655 Third Avenue, New York, New York. The term of the lease is 20 years, beginning April 1, 2024. No extensions are considered reasonably certain to be exercised. The initial present value of this agreement was $101.1 million, which was reduced to $100.0 million in a subsequent lease modification, using an implied interest rate of 4.56% and has been recorded as a right to use asset.

Note 13 - Lease Liability, Continued

The remaining lease payments will be amortized as follows (in thousands):

Year ending	Principal	Interest	Total
2027	$ 2,628	4,187	6,815
2028	2,787	4,027	6,814
2029	2,955	3,860	6,815
2030	3,726	3,685	7,411
2031	3,909	3,502	7,411
2032 - 2036	23,796	14,452	38,248
2037 - 2041	32,813	8,418	41,231
2042 - 2044	24,283	1,530	25,813
Total	$ 96,897	43,661	140,558

Note 14 - Other Liabilities

Other liabilities at March 31, 2026 and 2025 consist of the following (in thousands):

	2026			
	Balance at March 31, 2025	Increases	Decreases	Balance at March 31, 2026
Grants, economic development programs and special projects/bonds	$ 231,127	39,104	-	270,231
Other loan and revolving loan programs - advances from State	413	-	-	413
Other accruals	160,661	143,997	(3,366)	301,292
Totals	392,201	183,101	(3,366)	571,936
Less current portion	(181,732)			(222,467)
Non-current portion	$ 210,469			349,469

Note 14 - Other Liabilities, Continued

	2025			
	Balance at March 31, 2024	Increases	Decreases	Balance at March 31, 2025
Grants, economic development programs and special projects/bonds	$ 186,169	44,958	-	231,127
Other loan and revolving loan programs - advances from State	413	-	-	413
Other accruals	215,699	-	(55,038)	160,661
Totals	402,281	44,958	(55,038)	392,201
Less current portion	(145,324)			(181,732)
Non-current portion	$ 256,957			210,469

Note 15 - Deferred Inflows of Resources - Other

Deferred inflows of resources - other at March 31, 2026 and 2025 consist of the following (in thousands):

	2026			
	Balance at March 31, 2025	Increases	Decreases	Balance at March 31, 2026
Grants, economic development programs and special projects/bonds	$ 11,154	-	-	11,154
Deferred funding for new Stadium in Western New York (c)	204,044	-	(200,754)	3,290
Other loan and revolving loan programs - advances from State	1,754	-	-	1,754
Other accruals (b)	24,915	-	(9,282)	15,633
Totals	$ 241,867	-	(210,036)	31,831

Note 15 - Deferred Inflows of Resources - Other, Continued

	2025			
	Balance at March 31, 2024	Increases	Decreases	Balance at March 31, 2025
Grants, economic development programs and special projects/bonds	$ 11,154	-	-	11,154
Deferred gain on ground lease deposit (a)	2,483	-	(2,483)	-
Deferred funding for new Stadium in Western New York (c)	152,750	51,294	-	204,044
Other loan and revolving loan programs - advances from State	1,754	-	-	1,754
Other accruals (b)	29,890	-	(4,975)	24,915
Totals	$ 198,031	51,294	(7,458)	241,867

(a) On November 26, 2007 the Harlem Community Development Corporation ("HCDC") entered into a memorandum of understanding ("MOU") with 233 West 125th Street Danforth, LLC ("Danforth") for the redevelopment of the Victoria Theater property. Upon completion of the redevelopment project, HCDC entered into a ground lease with Danforth, giving them all rights in the property for the term of the lease ("ground lease"). Deferred revenue of $2.5 million was recognized during the year ended March 31, 2025. The sale of the Victoria Theater property occurred in April 2024.

(b) 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. As of March 31, 2026, the project was complete and final payment of $5.8 million was received. In accordance with the Agreement, ECHDC submitted an annual report to NYPA showing that this payment was expended in accordance with the terms of the Agreement.

(c) The Corporation, through its subsidiary, Erie County Stadium Corporation ("ECSC") is a party to an agreement between the State, Erie County and the Buffalo Bills National Football League Team, in which ECSC is required to hold in escrow funding received from all parties for construction of a new Stadium in Western New York. This escrow account will pay all construction related expenditures for this stadium. Funding received in escrow is deferred until related expenditures have occurred.

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 $162.2 million to ESC 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, 2026 and 2025 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).

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 $20.7 million due from JDA for reimbursement to ESD for administrative expenses incurred on behalf of JDA as of March 31, 2026 ($29.7 million as of March 31, 2025), 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 thirty Fiscal Years, is $11.6 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.

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 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.

Note 17 - Retirement Plans, Continued

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

2026	$ 6,701
2025	5,414
2024	4,055

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

At March 31, 2026 and 2025, ESD reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2025 and 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. ESD's proportionate share of the net pension liability was based on a projection of its long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to ESD (in thousands).

	2026	2025
Actuarial valuation date	4/1/2024	4/1/2023
Net pension liability	$20,250	14,998
Corporation's proportion of the Plan's net pension liability	0.1181072%	0.1018611%
Change in proportionate share	0.0162461%	0.0108101%

For the years ended March 31, 2026 and 2025, ESD recognized ERS pension expense of $5.1 million and $6.8 million, respectively. At March 31, 2026 and 2025, ESD's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Note 17 - Retirement Plans, Continued

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

	March 31, 2026	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,026	237
Changes in assumptions	849	-
Net difference between projected and actual earnings on pension plan investments	1,589	-
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	2,358	222
Corporation's contributions subsequent to the March 31, 2025 measurement date	6,702	-
Total	$ 16,524	459

	March 31, 2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,831	409
Changes in assumptions	5,670	-
Net difference between projected and actual earnings on pension plan investments	-	7,326
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	1,125	120
Corporation's contributions subsequent to the March 31, 2024 measurement date	5,414	-
Total	$ 17,040	7,855

ESD contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Note 17 - Retirement Plans, Continued

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

Year ended	
2026	$ 4,113
2027	5,799
2028	(1,101)
2029	552
	$ 9,363

(d) Actuarial Assumptions

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

Measurement date	March 31, 2025
Actuarial valuation date	April 1, 2024
Interest rate	5.9%
Salary scale	4.3% Average
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience
Inflation rate	2.9%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2021.

The actuarial assumptions used in the April 1, 2024 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2021.

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 weighing 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, 2025	
	Real Rate of Return*	Target Allocation
Asset type:		
Domestic equity	3.54%	25.0%
International equity	6.57%	14.0%
Private equity	7.25%	15.0%
Real estate	4.95%	12.0%
Opportunistic/ARS portfolio	5.25%	3.0%
Credit	5.40%	4.0%
Real assets	5.55%	4.0%
Fixed income	2.00%	22.0%
Cash	0.25%	1.0%
		100.0%

*Real rate of return is net of long-term inflation assumption of 2.90%.

(e) Discount Rate

The discount rate used to calculate the total pension liability as of the March 31, 2025 measurement date was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(f) Sensitivity of the Proportionate Share of the Net Pension Liability (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)	$ 58,607	20,250	(11,778)

Note 17 - Retirement Plans, Continued

(g) Pension Plan Fiduciary Net Position

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

	(Dollars in Millions)	
Valuation date	4/1/2024	4/1/2023
Employers' total pension liability	$ 247,600	240,697
Plan net position	(230,455)	(225,973)
Employers' net pension liability	$ 17,145	14,724
Ratio of plan net position to the Employers' total pension liability	93.08%	93.88%

(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, 2026 and 2025 represent the projected employer contributions for the period of April 1, 2024 through March 31, 2025 and April 1, 2023 through March 31, 2024, 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 choice 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, 2026 and 2025, there were 55 and 59, respectively, ESD employees enrolled in the VDC Program.

Note 18 - Commitments and Contingencies

(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 ("EDPL") 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 disputed the valuation of the building's basement, but the owner's petition for review by the United States Supreme Court was denied. Finally, the owner has indicated that it may seek an additional allowance from ESD under EDPL 701 (*i.e.*, reimbursement of its expert witness and attorneys' fees and other litigation expenses), but the owner to date has not filed a claim with the court for such relief.

Note 18 - Commitments and Contingencies, Continued

(a) Legal Actions, 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 affecting 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.

Note 19 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 103 - "Financial Reporting Model Improvements." This statement, issued in May 2024, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for periods beginning after June 15, 2025, which is the fiscal year beginning April 1, 2026 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.

GASB Statement No. 104 - "Disclosure of Certain Capital Assets." This statement, issued in September 2024, provides users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements improve consistency and comparability between governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025, which is the fiscal year beginning April 1, 2026 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.

Note 19 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 105 - "Subsequent Events." This statement, issued in December 2025, improves financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for reporting periods beginning after June 15, 2026, which is the fiscal year beginning April 1, 2027 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, 2026

Total OPEB liability (in thousands):	2026	2025	2024	2023	2022	2021	2020	2019
Service cost	$ 9,512	10,672	6,981	11,198	10,547	10,678	6,694	6,503
Interest on total OPEB liability	6,491	5,740	5,859	4,845	3,883	3,558	5,373	5,012
Difference between expected and actual experience	11,971	(6,089)	(11,959)	2,865	12,495	(1,956)	(9,236)	-
Changes in assumptions	(22,717)	(6,598)	(4,003)	(39,766)	(4,184)	(3,765)	15,922	(654)
Benefit payments	(6,410)	(6,144)	(5,524)	(3,973)	(3,447)	(3,226)	(2,885)	(2,802)
Net change in total OPEB liability	(1,153)	(2,419)	(8,646)	(24,831)	19,294	5,289	15,868	8,059
Total OPEB liability at beginning of year	136,352	138,771	147,417	172,248	152,954	147,665	131,797	123,738
Total OPEB liability at end of year	$ 135,199	136,352	138,771	147,417	172,248	152,954	147,665	131,797
Covered payroll	$ 49,118	44,953	38,725	33,304	29,552	29,646	31,564	28,136
Total OPEB liability as a percentage of covered payroll	275.3%	303.3%	358.3%	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:

2026	4.56%
2025	4.55%
2024	4.23%
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, 2026

NYSERS Pension Plan (in thousands)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Corporation's proportion of the net pension liability (asset)	0.1181072%	0.1018611%	0.0910510%	0.0944190%	0.0947195%	0.0945836%	0.0937709%	0.0900706%	0.0892992%	0.0864938%
Corporation's proportionate share of the net pension liability (asset)	$ 20,250	14,998	19,525	(7,718)	94	25,046	6,644	2,907	8,391	13,883
Corporation's covered payroll	$ 44,492	38,810	33,294	29,564	29,646	29,067	28,156	26,991	26,913	25,802
Corporation's proportionate share of the net pension liability as a percentage of its covered - employee payroll	45.51%	38.64%	58.64%	26.11%	0.32%	86.17%	23.60%	10.77%	31.18%	53.81%
Plan fiduciary net position as a percentage of the total pension liability (asset)	93.1%	93.9%	90.8%	103.6%	99.9%	86.4%	96.3%	98.2%	94.7%	90.7%

The amounts presented for each fiscal year were determined as of the March 31, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016 measurement dates of the plans.

NEW YORK STATE URBAN DEVELOPMENT
CORPORATION AND SUBSIDIARIES
Required Supplementary Information
Schedule of Corporation's Employer Pension Contributions
Year ended March 31, 2026

	NYSERS Pension Plan (in thousands)									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 6,701	5,414	4,055	3,238	4,473	3,925	3,771	3,729	3,767	3,575
Contributions in relation to the contractually required contribution	6,701	5,414	4,055	3,238	4,473	3,925	3,771	3,729	3,767	3,575
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
Corporation's covered payroll	$ 44,492	38,810	33,294	29,564	29,646	29,067	28,156	26,991	26,913	25,802
Contributions as a percentage of covered payroll	15.06%	13.95%	12.18%	10.95%	15.09%	13.50%	13.39%	13.82%	14.00%	13.86%

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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, 2026, and the related notes to consolidated financial statements, and have issued our report thereon dated June 16, 2026.

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 16, 2026

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INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE INVESTMENT GUIDELINES

The Board of Directors
New York State Urban Development
Corporation:

Report on Investment Compliance

Opinion on Investment Compliance

We have audited the New York State Urban Development Corporation and Subsidiaries (the "Corporation"), compliance with the types of compliance requirements identified as subject to audit in Section 2925(3)(f) of the New York State Public Authorities Law and Title 2 Section 201.3 of the New York Codes, Rules and Regulations (the investment guidelines) that could have a direct and material effect on its investments for the year ended March 31, 2026.

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investments for the year ended March 31, 2026.

Basis for Opinion on Investment Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of the investment guidelines. Our responsibilities under those standards and the investment guidelines are further described in the Auditors' Responsibilities for the Audit of 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 compliance with the investment guidelines. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's investments.

Auditors' Responsibilities for the Audit of 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 GAAS, Government Auditing Standards and the investment guidelines, 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 compliance with the requirements of the investment guidelines as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards and the investment guidelines, 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 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 compliance in accordance with the investment guidelines, 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 the investment guidelines 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 of investment guidelines 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 compliance with a type of compliance requirement of the investment guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over 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 compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the investment guidelines. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 16, 2026