



KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

June 30, 2022

Members of the Authority  
New York State Energy Research and Development Authority  
Albany, New York

To the Members of the Authority:

We have audited the financial statements of New York State Energy Research and Development Authority and the stand-alone financial statements of the Authority's enterprise fund, NY Green Bank, (collectively, the Authority) as of March 31, 2022 and for each of the years then ended, and expect to issue our report thereon under date of June 30, 2022. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audits.

### **Our Responsibility Under Professional Standards**

We are responsible for forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of Members of the Authority, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (AICPA). In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or Members of the Authority of their responsibilities.

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

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of members of the Authority in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Significant Unusual Transactions**

As disclosed in Note 5 to the financial statements, on July 28, 2021, NY Green Bank transferred loans to a trust controlled by third-party financial institution. In connection with the transfer, NY Green Bank, relinquished its title and interest in the underlying loans to the third party, as purchaser. NY Green Bank applied GASB No. 64, *Sales and Pledges of Receivables and Future Revenues and Intra-entity Transfers of Assets and Future Revenues*, and accounted for the transfer as a sale of loans. Accordingly, the aggregate principal balance and accrued interest of the loans of \$379.1 million at closing was de-recognized. Based on the terms of the transaction, NY Green Bank received cash consideration of \$313.7 million at closing in addition to deferred



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compensation, which was valued at of \$64.5 million at closing, which represents the remaining principal and interest payments due to Green Bank upon satisfaction of specified amount of principal and interest payments made to the purchaser. Total fees and related closing cost incurred related to the transaction and an incremental impairment of the deferred purchase price totaled \$13.5 million for the year ended March 31, 2022.

We concur with the accounting treatment related to this transfer and management's conclusions in the circumstances.

### **Uncorrected and Corrected Misstatements**

#### *Uncorrected Misstatements and Financial Statement Presentation and Disclosure Omissions*

In connection with our audit of the Authority's financial statements, no uncorrected financial statement misstatements in the Authority's books and records or financial statement presentation and disclosure omissions were identified as of and for the year ended March 31, 2022. We have communicated that finding to management.

#### *Corrected Misstatements*

In connection with our audit of the Authority's financial statements, no corrected financial statement misstatements in the Authority's books and records were identified as of and for the year ended March 31, 2022.

### **Non-GAAP Accounting Policies and Practices**

The Authority has adopted certain accounting policies or practices that, if applied to significant items or transactions, are not in accordance with U.S. generally accepted accounting principles. The Authority has evaluated the effect of the application of such policies and practices on the financial statements and concluded that such effect is not material to the 2022 financial statements.

### **Auditors' Report**

We were engaged by the Authority to report on key audit matters and did not identify any such matters during the audit of the financial statements.

### **Significant Accounting Policies and Practices**

In connection with our audit of the Authority's financial statements, no new, or changes in, significant accounting policies and practices were identified.

#### *Qualitative Aspects of Accounting Practices*

We have discussed with the Members of the Authority and management our judgments about the quality, not just the acceptability, of the Authority's accounting policies as applied in its financial reporting. The discussions generally included such matters as the consistency of the Authority's accounting policies and their application, and the understandability and completeness of the Authority's financial statements, which include related disclosures.

### **Significant Accounting Estimates and Significant Financial Statement Disclosures**

The preparation of the financial statements requires management of the Authority to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.



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We evaluated management's estimates, including possible management bias in developing the estimates, and determined that these estimates were reasonable in relation to the financial statements as a whole.

**Related Parties**

We have discussed with Members of the Authority significant findings and issues arising during the audit with the Authority's related parties.

**Noncompliance with Laws and Regulations, including Illegal Acts or Fraud**

In connection with our audit of the Authority's financial statements, no identified or suspected instances of non-compliance with laws and regulations, including illegal acts or fraud, have come to our attention.

**Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

**Management's Consultation with Other Accountants**

To the best of our knowledge, management has not consulted with other accountants during the year ended March 31, 2022.

**Difficult or Contentious Matters for Which We Consulted**

In connection with the significant unusual transaction previously noted, we consulted with our firm's Department of Professional Practice regarding the accounting treatment for the sale of the loans to a third-party financial institution.

**Disagreements with Management**

There were no disagreements with management on financial accounting and reporting matters that individually or in the aggregate could be significant to the Authority's financial statements, or our report.

**Written Communications**

Attached to this letter please find copies of the following written communications between management and us:

1. Engagement letter
2. Management representation letter

**Independence**

We are not aware of any circumstances or relationships, that in our professional judgement, may reasonably be thought to bear on independence or to which we gave significant consideration in reaching the conclusion that independence has not been impaired.

*Affirmation of Independence*

In connection with our audit of the Authority, KPMG and relevant KPMG professionals have complied with relevant ethical requirements regarding independence, as that term is defined by the professional standards.

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Members of the Authority  
New York State Energy Research and Development Authority  
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This letter to the Members of the Authority is intended solely for the information and use of the Members of the Authority and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**



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Albany, NY 12207-2974

**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**

Members of the Authority  
New York State Energy Research and Development Authority

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the New York State Energy Research and Development Authority (the Authority), a component unit of the State of New York, as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 30, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity's 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 Authority's 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albany, New York  
June 30, 2022



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## Independent Accountants' Report

Members of the Authority  
New York State Energy and Research Development Authority:

We have examined the New York State Energy Research and Development Authority's (the Authority) compliance with the requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules and Regulations of the State of New York* during the year ended March 31, 2022. Management of the Authority is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

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

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

**KPMG LLP**

Albany, New York  
June 30, 2022



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June 30, 2022

Members of the Authority  
New York State Energy Research and Development Authority  
Albany, New York

Ladies and Gentlemen:

In planning and performing our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New York State Energy Research and Development Authority (the Authority), which collectively comprise the basic financial statements of the Authority, as of and for the year ended March 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

This communication is intended solely for the information and use of management, Members of the Authority, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**