



**New York City Energy Efficiency Corporation**

**Financial Statements  
(Together with Independent Auditors' Report)**

**Years Ended June 30, 2021 and 2020**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

**CONTENTS**

	<b><u>Pages</u></b>
Independent Auditors' Report.....	1
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses.....	4-5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-16

## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
New York City Energy Efficiency Corporation

We have audited the accompanying financial statements of New York City Energy Efficiency Corporation ("NYCEEC"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYCEEC as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



New York, NY  
November 5, 2021

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Notes 2H, 3 and 4)	\$ 10,157,081	\$ 9,650,026
Government grants receivable (Notes 2K, 3 and 6)	1,085,965	1,508,431
Contributions receivable (Notes 2J, 3 and 5)	370,241	343,750
Fees and interest receivable (Notes 2L and 3)	389,438	322,869
Prepaid expenses and other assets	63,563	49,215
<b>Total current assets</b>	<b>12,066,288</b>	<b>11,874,291</b>
<b>Noncurrent assets</b>		
Restricted cash and cash equivalents (Notes 3 and 4)	7,015,063	7,194,597
Restricted cash - escrows held (Notes 3 and 4)	99,378	99,378
Restricted deposit with NYCHDC (Notes 3 and 8)	985,000	985,000
Loans receivable, net (Notes 2D, 2E, 3, 7 and 10)	29,550,789	30,124,133
Property and equipment, net (Notes 2F and 12)	13,810	19,171
<b>Total noncurrent assets</b>	<b>37,664,040</b>	<b>38,422,279</b>
 <b>TOTAL ASSETS</b>	 <b>\$ 49,730,328</b>	 <b>\$ 50,296,570</b>
 <b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses (Note 2G)	\$ 1,112,713	\$ 949,922
<b>Total current liabilities</b>	<b>1,112,713</b>	<b>949,922</b>
<b>Noncurrent liabilities</b>		
Escrows due (Note 9)	124,378	124,378
Notes payable (Note 13)	15,000,000	15,000,000
Paycheck Protection Program loan payable (Note 14)	303,297	327,005
<b>Total noncurrent liabilities</b>	<b>15,427,675</b>	<b>15,451,383</b>
 <b>TOTAL LIABILITIES</b>	 <b>16,540,388</b>	 <b>16,401,305</b>
 <b>COMMITMENTS AND CONTINGENCIES</b> (Note 15)		
 <b>NET ASSETS</b> (Note 2B)		
Net assets without donor restrictions	2,400,396	1,872,291
Net assets with donor restrictions (Note 16)	30,789,544	32,022,974
<b>TOTAL NET ASSETS</b>	<b>33,189,940</b>	<b>33,895,265</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 49,730,328</b>	 <b>\$ 50,296,570</b>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	For the Year Ended June 30, 2021			For the Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
<b>SUPPORT AND REVENUE</b>						
Contributions (Notes 2J and 5)	\$ 45,000	\$ 846,250	\$ 891,250	\$ 2,600	\$ 783,750	\$ 786,350
Government grants (Notes 2K and 6)	1,559,042	-	1,559,042	1,988,471	-	1,988,471
Other grants	50,500	-	50,500	-	-	-
Fee income (Note 2L)	438,730	-	438,730	72,431	-	72,431
Interest from loans receivable (Note 2L)	1,692,089	-	1,692,089	2,132,894	-	2,132,894
Miscellaneous income	-	-	-	15,666	-	15,666
Interest income from banks (Note 2M)	2,038	-	2,038	35,496	-	35,496
Paycheck Protection Program loan forgiveness (Note 14)	327,699	-	327,699	-	-	-
Net assets released from restrictions (Notes 2B and 16)	2,079,680	(2,079,680)	-	1,174,112	(1,174,112)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>6,194,778</u>	<u>(1,233,430)</u>	<u>4,961,348</u>	<u>5,421,670</u>	<u>(390,362)</u>	<u>5,031,308</u>
<b>EXPENSES</b>						
Program services	4,598,056	-	4,598,056	4,211,993	-	4,211,993
Management and administration	950,447	-	950,447	927,028	-	927,028
Fundraising	118,170	-	118,170	121,257	-	121,257
<b>TOTAL EXPENSES</b>	<u>5,666,673</u>	<u>-</u>	<u>5,666,673</u>	<u>5,260,278</u>	<u>-</u>	<u>5,260,278</u>
<b>CHANGE IN NET ASSETS</b>	528,105	(1,233,430)	(705,325)	161,392	(390,362)	(228,970)
Net assets - beginning of year	<u>1,872,291</u>	<u>32,022,974</u>	<u>33,895,265</u>	<u>1,710,899</u>	<u>32,413,336</u>	<u>34,124,235</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,400,396</u>	<u>\$ 30,789,544</u>	<u>\$ 33,189,940</u>	<u>\$ 1,872,291</u>	<u>\$ 32,022,974</u>	<u>\$ 33,895,265</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(With Summarized Totals for the Year Ended June 30, 2020)**

	<b>For the Year Ended June 30, 2021</b>				<b>2020 Total</b>
	<b>Program Services</b>	<b>Supporting Services</b>		<b>2021 Total</b>	
		<b>Management and Administration</b>	<b>Fundraising</b>		
Salaries and wages	\$ 1,347,437	\$ 407,843	\$ 85,601	\$ 1,840,881	\$ 1,814,647
Payroll taxes and employee benefits (Note 17)	289,663	87,675	18,402	395,740	436,911
Total personnel services	<u>1,637,100</u>	<u>495,518</u>	<u>104,003</u>	<u>2,236,621</u>	<u>2,251,558</u>
Professional and consulting fees	87,269	343,675	-	430,944	592,152
Occupancy (Note 15B)	164,398	49,197	8,862	222,457	243,350
Utilities	3,697	1,106	199	5,002	5,448
Insurance	30,960	9,265	1,669	41,894	36,944
Travel, meetings and conferences	2,122	635	114	2,871	12,134
Supplies and office expense	3,945	1,181	213	5,339	13,845
Telecom, internet and website	45,081	13,491	2,430	61,002	55,914
Postage and delivery	470	141	25	636	920
Minor furniture, equipment and leases	5,576	1,669	301	7,546	8,181
Payroll and benefits processing fees	-	10,195	-	10,195	13,657
Banking, finance and miscellaneous fees (Note 13)	499,497	22,411	-	521,908	921,867
Depreciation (Note 12)	<u>6,561</u>	<u>1,963</u>	<u>354</u>	<u>8,878</u>	<u>20,875</u>
Total expenses before provision for loan losses	2,486,676	950,447	118,170	3,555,293	4,176,845
Provision for loan losses (Notes 2E and 7)	<u>2,111,380</u>	<u>-</u>	<u>-</u>	<u>2,111,380</u>	<u>1,083,433</u>
Total expenses	<u>\$ 4,598,056</u>	<u>\$ 950,447</u>	<u>\$ 118,170</u>	<u>\$ 5,666,673</u>	<u>\$ 5,260,278</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management and Administration</b>	<b>Fundraising</b>	
Salaries and wages	\$ 1,352,252	\$ 380,319	\$ 82,076	\$ 1,814,647
Payroll taxes and employee benefits (Note 17)	325,581	91,569	19,761	436,911
Total personnel services	1,677,833	471,888	101,837	2,251,558
Professional and consulting fees	248,531	343,621	-	592,152
Occupancy (Note 15B)	180,418	51,047	11,885	243,350
Utilities	4,039	1,143	266	5,448
Insurance	27,390	7,750	1,804	36,944
Travel, meetings and conferences	8,996	2,545	593	12,134
Supplies and office expense	10,265	2,904	676	13,845
Telecom, internet and website	41,454	11,729	2,731	55,914
Postage and delivery	682	193	45	920
Minor furniture, equipment and leases	6,065	1,716	400	8,181
Payroll and benefits processing fees	-	13,657	-	13,657
Banking, finance and miscellaneous fees (Note 13)	907,411	14,456	-	921,867
Depreciation (Note 12)	15,476	4,379	1,020	20,875
Total expenses before provision for loan losses	3,128,560	927,028	121,257	4,176,845
Provision for loan losses (Notes 2E and 7)	1,083,433	-	-	1,083,433
Total expenses	<u>\$ 4,211,993</u>	<u>\$ 927,028</u>	<u>\$ 121,257</u>	<u>\$ 5,260,278</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (705,325)	\$ (228,970)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Forgiveness of Paycheck Protection Program loan payable	(327,005)	-
Depreciation	8,878	20,875
Provision for loan losses	2,111,380	1,083,433
Amortization of deferred rent	(6,952)	(6,960)
	1,080,976	868,378
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants receivable	422,466	(1,140,234)
Contributions receivable	(26,491)	(306,763)
Fees and interest receivable	(66,569)	1,395
Prepaid expenses and other assets	(14,348)	13,352
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	169,743	82,353
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,565,777</b>	<b>(481,519)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash held in escrow	-	(717,856)
Interest capitalized	(3,994,461)	(3,771,824)
Loans disbursed	(496,163)	(4,446,432)
Loan payments received	2,952,588	15,759,277
Acquisitions of property and equipment	(3,517)	(9,296)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(1,541,553)</b>	<b>6,813,869</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of notes payable	-	(6,744,851)
Proceeds from Paycheck Protection Program loan payable	303,297	327,005
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>303,297</b>	<b>(6,417,846)</b>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	327,521	(85,496)
Cash, cash equivalents and restricted cash – Beginning of year	17,929,001	18,014,497
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH – END OF YEAR</b>	<b>\$ 18,256,522</b>	<b>\$ 17,929,001</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 396,143	\$ 766,552
<b>Statement of Financial Position Reconciliation:</b>		
Cash and cash equivalents	\$ 10,157,081	\$ 9,650,026
Restricted cash and cash equivalents	7,015,063	7,194,597
Restricted cash - escrows held	99,378	99,378
Restricted deposit with NYCHDC	985,000	985,000
Cash, cash equivalents and restricted cash – End of year	\$ 18,256,522	\$ 17,929,001

The accompanying notes are an integral part of these financial statements.



**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

New York City Energy Efficiency Corporation (“NYCEEC”) is a non-profit, specialty finance company that delivers financing solutions and advances markets for energy efficiency and clean energy in buildings. NYCEEC finances energy efficiency, combined heat and power, fuel conversion, demand response and building-scale renewable energy and storage projects.

NYCEEC is governed by a Board of Directors whose membership includes public officials and private individuals. In fiscal year 2014, NYCEEC’s Board of Directors voted to become self-perpetuating and NYCEEC is no longer a component unit of The City of New York (the “City”).

On November 29, 2012, NYCEEC received notice from the Internal Revenue Service (“IRS”) that its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code was approved, and it is exempt from federal income taxes. NYCEEC is considered a public charity under Section 170(b)(1)(A)(vi). NYCEEC was incorporated under the laws of the State of New York (the “State”) and is exempt from State and local income and sales taxes.

NYCEEC makes construction and permanent loans and provides credit enhancement in the form of loan loss reserves exclusively for energy efficiency and clean energy projects in buildings. NYCEEC also partners with various lending organizations to finance such projects while encouraging best practices with respect to energy efficiency retrofit implementation and ongoing performance monitoring.

NYCEEC’s project loans are primarily funded by Federal funds as well as funds received from the City, private banks and philanthropic foundations. NYCEEC’s operations are primarily funded through earnings on its project loans and funds received through the contract with the City as well as several philanthropic grants that NYCEEC has been awarded since inception.

In accordance with its governing documents, NYCEEC officers have the responsibility to approve or disapprove certain financing transactions while other transactions must be approved by certain members of the Board of Directors.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Basis of Accounting***

The accompanying financial statements of NYCEEC have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applicable to not-for-profit organizations as defined by the Financial Accounting Standards Board (“FASB”).

**B. *Basis of Presentation***

NYCEEC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets Without Donor Restrictions* – include resources that are not subject to donor-imposed stipulations and, therefore, may be expended for any purpose in performing the primary objectives of NYCEEC.

*Net Assets With Donor Restrictions* – include resources subject to donor-imposed stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as net assets released from restrictions.

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. *Functional Allocation of Expenses***

The costs of providing NYCEEC's program and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated between program and supporting services benefited. Such allocations are determined by management on an estimated reasonable basis.

The expenses that are allocated include salaries and wages which were allocated based on management's estimate of the time spent by each employee in each functional category. The payroll taxes and employee benefits were allocated based on the allocation of staff salaries. Professional and consulting fees were directly applied to a functional category depending on the purpose of the services, and indirect costs are allocated on the basis of staff full time employees.

**D. *Loans Receivable***

Loans receivable are funds utilized for financing clean energy and energy efficiency projects. Loans receivable represent funds drawn by borrowers and any interest capitalized on those funds. Non-capitalized interest on borrowed funds is recognized as interest receivable. The loan terms vary and generally have repayment periods of up to 15 years.

Loans are considered past due when payment of scheduled principal or interest is not received within 30 days from the payment due date. NYCEEC's policy places a loan on non-accrual status when payments of principal or interest are 120 days past due or more unless the loan is in the process of collection and management reasonably expects full collection. Management may place a loan on non-accrual whether the loan is past due or when it is evident that full payment of the loan is not expected. Interest on non-accrual loans will not be recognized on an accrual basis from the point they are placed on non-accrual status. A non-accrual loan will be returned to accrual status when all past due payments are brought current and management believes repayment of contractually owed principal and interest is reasonably assured.

**E. *Provision for Uncollectible Amounts***

NYCEEC establishes a provision for possible uncollectible amounts based on an analysis of receivables deemed uncollectible. NYCEEC's policy is based on its internal evaluation of the individual loans and their associated risk. These amounts are recorded in the accompanying financial statements under loans receivable or fees and interest receivable, as applicable (see Note 7).

As of June 30, 2021 and 2020 the accompanying financial statements included provisions on allowance for uncollectible loans of \$21,281,558 and \$15,497,110, respectively.

**F. *Property and Equipment***

It is NYCEEC's policy to capitalize property and equipment with a cost over \$1,000 and a useful life of at least three years. Property and equipment are stated at their original costs or at their fair values at the dates of donation. Depreciation is provided using the straight-line method over the estimated useful lives. Expenditures for leasehold improvements are capitalized and amortized using the straight-line method over the lease term.

**G. *Deferred Rent***

NYCEEC records rent expenses associated with its office lease on a straight-line basis over the life of the lease. The difference between the straight-line amount and the amount actually paid during the year is recorded as a liability and an expense in the accompanying financial statements. Included in accounts payable and accrued expenses in the accompanying financial statements is a deferred rent liability of \$98,881 and \$105,833 as of June 30, 2021 and 2020, respectively.

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Cash and Cash Equivalents**

For purposes of the statements of cash flows, NYCEEC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash and cash equivalents	\$ 10,157,081	\$ 9,650,026
Restricted cash and cash equivalents	7,015,063	7,194,597
Restricted cash - escrows held	99,378	99,378
Restricted deposit with NYCHDC	<u>985,000</u>	<u>985,000</u>
Total	<u>\$ 18,256,522</u>	<u>\$ 17,929,001</u>

**I. Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**J. Contributions and Contributions Receivable**

Contribution revenue is recorded at fair value when the donor makes an unconditional promise to give. Amounts are recorded as with donor restrictions if they have donor stipulations that limit the use of the donated asset. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions are accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) (“ASU 2018-08”).

Grant funds are released from restriction as eligible operating and capital expenses are incurred. When both restricted and unrestricted resources are available for use, it is NYCEEC’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved, unless deemed to be de minimis.

**K. Government Grants, Government Grants Receivable and Unearned Revenue**

Government grant revenue is recognized when earned. Government grant funds from the City used to capitalize NYCEEC’s revolving loan fund and loan loss reserve fund is recorded as grant revenue when committed and funding is certain. Expense driven grants are recognized as revenue when qualifying expenses have been incurred and all other grant requirements have been met. Government grant funds received prior to qualifying expenses being incurred are recorded as unearned revenue.

Government grants receivable consists of eligible costs under government grants that were incurred prior to the fiscal year-end and funds committed for the loan fund and loan loss reserve fund for which payment has not been received.

Government grants are nonexchange transactions and accounted for under ASU 2018-08 as further described in Note 2J. Grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Government grants amounted to \$1,559,042 and \$1,988,471 for the years ended June 30, 2021 and 2020, respectively, and are included in the statements of activities.

As of June 30, 2021 and 2020, NYCEEC received conditional grants and contracts from government agencies in the aggregate amount of approximately \$3.6 million and \$422,000, respectively. Such grants have not been recognized in the accompanying financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and NYCEEC may be required to return the funds already remitted.

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Program Revenue and Fees and Interest Receivable**

Program revenue includes income from interest and fees on loans and loan loss reserve transactions. Such income is recognized when earned. Fees are due and payable when earned.

When interest is capitalized during the construction period, it is reflected as loans receivable. Interest is due and payable monthly or quarterly based on the amortization schedule shared with the borrower.

**M. Investment Income**

Investment income reflects the earnings on the cash and cash equivalents of NYCEEC held with financial institutions.

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

Cash account balances, net of outstanding checks, for all accounts, are reviewed daily by accounting and finance staff. Balances in the operating, payroll, foundation funding, and restricted lending accounts are reviewed weekly with management to determine necessary cash transfers and availability of funds to cover the cost of general operations as well as to fund lending activities.

As of June 30, 2021, NYCEEC had working capital of approximately \$11.0 million and a current ratio of 10.8. At year end, unrestricted cash and cash equivalents of approximately \$10.2 million represented 952 days of cash on hand based on the fiscal year 2022 operating budget, with the majority of these funds intended for lending. NYCEEC additionally had short-term receivables of approximately \$2.5 million. An additional \$7.0 million in cash and cash equivalents is restricted specifically for lending purposes.

The following tables show the total financial assets held and the amounts of those financial assets that could be made readily available within one year of the statements of financial position date to meet general expenditures as of June 30:

Financial assets available to meet general expenditures over the next 12 months:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 10,157,081	\$ 9,650,026
Government grants receivable	1,085,965	1,508,431
Contributions receivable	370,241	343,750
Fees and interest receivables	389,438	322,869
Loans receivable, net	<u>2,517,383</u>	<u>3,222,138</u>
	<u>\$ 14,520,108</u>	<u>\$ 15,047,214</u>

**NOTE 4 – CASH AND CASH EQUIVALENTS**

As of June 30, 2021, NYCEEC's bank balance was \$17,303,083 compared to its book balance of \$17,271,522. The difference between the bank balance and book balance of \$31,561 relates to reconciling items in the NYCEEC operating account. Of the bank balance, \$250,000 was covered by Federal Deposit Insurance Corporation ("FDIC") insurance for each of the two banks and \$17,349,444 was fully collateralized under a pledge and assignment agreement with JP Morgan Chase. As of June 30, 2021 there is no uncollateralized amount.

**NOTE 5 – CONTRIBUTIONS**

NYCEEC was awarded a total of \$891,250 and \$786,350 in private foundation funding during the years ended June 30, 2021 and 2020, respectively. Since inception, NYCEEC has been awarded \$7.9 million in private foundation funding. As of June 30, 2021 and 2020, the outstanding receivable balance amounted to \$370,241 and \$343,750, respectively.

**NOTE 6 – GOVERNMENT GRANTS AND CONTRACTS**

In 2011, NYCEEC was awarded an allocation from the City under the Energy Efficiency and Conservation Block Grant Program ("EECBG") in the amount of \$37.5 million, which was received in full. NYCEEC has received \$37.5 million from the City since inception. Of this amount, a total of \$32.8 million was used to capitalize a revolving loan fund and loan loss reserve fund and has been recorded as grant revenue in prior periods.

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 6 – GOVERNMENT GRANTS AND CONTRACTS (Continued)**

The City committed to funding NYCEEC an additional \$8.2 million over three years, beginning June 2015 for additional clean energy financing and related services. Of this \$8.2 million, \$5 million was used to capitalize a revolving loan fund and has been recorded as revenue in the statements of activities. In 2017 the City committed \$3.9 million over a five year period and in 2020 committed \$3.8 million over a three year period to additional clean energy financing and related services. NYCEEC recorded a receivable balance from the City as of June 30, 2020 amounting to \$507,660 for expenditures incurred. As of June 30, 2021, \$1,085,965 was included in government grants receivable on the accompanying financial statements for expenditures incurred. The City shall make further allocations to NYCEEC upon request and submission.

As of June 30, 2021 and 2020, net assets received under the contract with the City and restricted for purposes of the revolving loan fund and loan loss reserve fund were approximately \$30.0 million and \$32.0 million, respectively (see Note 16). For the years ended June 30, 2021 and 2020, approximately \$1.3 million and \$780,000, respectively, of loan funding from the City was released from restrictions to cover the provision for loan losses on anticipated uncollectible loans receivable funded by the City.

**NOTE 7 – LOANS AND COLLATERAL COMMITMENTS**

**A. *Loans and Collateral Commitments***

NYCEEC has received federal grants and a private grant that are to be utilized for financing clean energy and energy efficiency. NYCEEC has also secured participant lenders and other borrowing facilities to fund its project loan portfolio. Through June 30, 2021, NYCEEC has closed ninety-eight financing transactions, totaling approximately \$93.8 million. These ninety-eight transactions have consisted of six loan loss reserve transactions totaling \$12.2 million and ninety-two loans totaling \$81.6 million since inception.

Of the \$81.6 million in NYCEEC loan commitments, \$77.5 million has been drawn by borrowers through June 30, 2021 and approximately \$4.1 million remains to be drawn. In fiscal year 2021, interest of \$4.0 million was capitalized and added to principal. NYCEEC has collected approximately \$3.0 million in principal repayments in fiscal year 2021.

Loans receivable consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Loans receivable, beginning	\$ 48,140,518	\$ 55,442,153
Loan disbursements	5,901,398	4,685,818
Interest capitalization	3,994,461	3,771,824
Loan repayments	<u>(2,952,688)</u>	<u>(15,759,277)</u>
Loans receivable, ending	55,083,689	48,140,518
Less allowance	(21,281,558)	(15,497,110)
Less loans serviced on behalf of third parties	<u>(4,251,342)</u>	<u>(2,519,275)</u>
Loans receivable, net	<u>\$ 29,550,789</u>	<u>\$ 30,124,133</u>

The following is a summary of the scheduled principal repayments to be received on all of NYCEEC's loans (before the provision for uncollectible amounts) as of June 30:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 2,563,511	\$ 4,867,488
Due within one to five years	14,769,580	7,834,215
Due after five years	<u>37,750,598</u>	<u>35,438,815</u>
	<u>\$ 55,083,689</u>	<u>\$ 48,140,518</u>

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 7 – LOANS AND COLLATERAL COMMITMENTS (Continued)**

**B. Concentrations**

As of June 30, 2021 and 2020, borrowers with outstanding balances in excess of 10% of the gross loans receivable accounted for 65% and 78% of the portfolio, respectively. As of June 30, 2021, the largest concentrations of loans receivables are with two borrowers across three loans and amount to approximately \$26.5 million and \$6.4 million representing approximately 53% and 12%, respectively, of NYCEEC's loan portfolio, net of participations. As of June 30, 2020, the largest concentrations of loans receivables are with three borrowers across five loans and amount to approximately \$22.7 million, \$7.2 million and \$5.6 million representing approximately 50%, 16% and 12%, respectively, of NYCEEC's loan portfolio, net of participations.

**C. Ratings and Provisions**

NYCEEC uses an internal rating system to determine borrower repayment risk and the appropriate provision. The definitions of the rating levels are summarized below, in addition to amounts provisioned based on analysis of specific receivables deemed uncollectible. Provisions calculated do not include amounts serviced on behalf of third parties.

1. Pass provisioned at 2% of outstanding principal balance: The borrower and the loan are both performing fully to projections and project milestones, or better, with no sign of deterioration in any of the major performance criteria.
2. Watch/Attention provisioned at 10% of outstanding principal balance: Deterioration in one or more major financial performance criteria is a trend requiring increased scrutiny and possible intervention with the borrower.
3. Doubtful/Substandard provisioned at 20% of outstanding principal balance: Borrower or loan shows significant deterioration, requiring restructuring and intervention. Negative trends cannot be easily reversed, and payment on the original terms is extremely doubtful.

An analysis of the allowance for uncollectible amounts as of June 30, 2021 and 2020 by rating category is summarized as follows:

Classification	Loans Receivable	Loan-Loss Reserves	Provision	June 30, 2021, Net
Specific	\$ 29,151,685	\$ -	\$ (20,837,618)	\$ 8,314,067
1	25,932,004	-	(443,940)	25,488,064
	<u>\$ 55,083,689</u>	<u>\$ -</u>	<u>\$ (21,281,558)</u>	\$ 33,802,131
Less: Loans serviced on behalf of third parties				<u>(4,251,342)</u>
Net loans receivable				<u>\$ 29,550,789</u>

Classification	Loans Receivable	Loan-Loss Reserves	Provision	June 30, 2020, Net
Specific	\$ 27,779,510	\$ -	\$ (14,491,712)	\$ 13,287,798
1	12,145,028	985,000	(282,300)	12,847,728
2	7,230,980	-	(723,098)	6,507,882
	<u>\$ 47,155,518</u>	<u>\$ 985,000</u>	<u>\$ (15,497,110)</u>	\$ 32,643,408
Less: Loans serviced on behalf of third parties				<u>(2,519,275)</u>
Net loans receivable				<u>\$ 30,124,133</u>

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 8 – RESTRICTED DEPOSIT WITH NYCHDC**

NYCEEC provided \$2.5 million to New York City Housing Development Corporation (“NYCHDC”) for the establishment of the Program for Energy Reduction Loans (“PERL”) loan loss reserve account. In fiscal year 2016, NYCHDC repaid NYCEEC \$1.5 million to reduce the amount held to \$985,000. There was no additional repayment in fiscal year 2021, and as of June 30, 2021, the amounts held in reserve were \$985,000. This reserve account is maintained by NYCHDC for the benefit of NYCHDC and NYCEEC. NYCHDC may invest the funds on deposit in the reserve account in one or more permitted investments selected by NYCHDC in its sole discretion. All proceeds and earnings of these investments benefit NYCEEC and are paid by NYCHDC to NYCEEC quarterly. If there are any losses on permitted investments, NYCHDC shall deposit the amount of such loss in the reserve account. During the years ended June 30, 2021 and 2020, earnings on this reserve fund were \$7,865 and \$18,114, respectively, and such amounts are included in interest from loans receivable in the accompanying financial statements.

**NOTE 9 – ESCROWS HELD AND ESCROWS DUE**

Two NYCEEC borrowers have contributed funds to capitalize certain loss reserves in respect of financed projects. The first borrower makes monthly payments to fund reserves balances and quarterly principal and interest payments on the loan. During the years ended June 30, 2021 and 2020, these payments and interest accrued have decreased the amounts held in reserve by approximately \$0 and \$719,000, respectively. To the extent that such funds are not used to repay any amounts owed and unpaid to NYCEEC under the loan agreement, a portion will be returned to the borrower on an annual basis and the balance at the term of the transaction, based on the loan agreement. The second borrower has funded certain reserves during construction of approximately \$99,000 as per schedules established in the associated loan agreements. Such reserves are held in escrow in respect of the financed projects.

**NOTE 10 – LOANS SERVICED ON BEHALF OF THIRD PARTIES**

Pursuant to contractual arrangements between the New York State Energy Research & Development Authority (“NYSERDA”) and NYCEEC, NYSERDA contributed toward the origination of seven project loans. Funds have been disbursed on a pro-rata basis with NYCEEC capital in accordance with the loan terms and will be returned to NYSERDA concurrently as loan repayments are made to NYCEEC. As such, NYCEEC is servicing the loans on behalf of NYSERDA. As of June 30, 2021, NYCEEC is servicing two loans on behalf of NYSERDA.

During the years ended June 30, 2021 and 2020, NYCEEC made payments to NYSERDA of \$17,171 and \$86,009, respectively. As of June 30, 2021 and 2020, \$1,868 and \$19,038, respectively, is due to NYSERDA, which is netted against loans receivable in the accompanying statements of financial position.

Pursuant to a contractual arrangements with two third-party participants to co-fund project loans, \$1,901,462 and \$2,143,779 has been contributed by private investors in accordance with loan terms during the years ended June 30, 2021 and 2020, respectively. Inclusive of NYSERDA and these private investors, the total loan participations services on behalf of third parties as of June 30, 2021 and 2020 were \$4,251,342 and \$2,519,275, respectively. This is recognized as a reduction of loans receivable (Note 7).

**NOTE 11 – RISK MANAGEMENT**

NYCEEC has standard commercial insurance coverage to mitigate typical operational risk.

NYCEEC extends financing for both clean energy and energy efficiency retrofit projects and, in this capacity, NYCEEC is exposed to the risk of non-payment of fees, interest and return of principal. In cooperation with its Board of Directors and consultants, NYCEEC has instituted transaction-specific underwriting standards, due diligence and credit approval procedures, and monitoring procedures to mitigate these risks.

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 12 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 13,169	\$ 13,169	5 Years
Software	35,493	35,493	3 Years
Computers and equipment	<u>92,486</u>	<u>88,969</u>	3 Years
Total cost	141,148	137,631	
Less: accumulated depreciation	<u>(127,338)</u>	<u>(118,460)</u>	
Net book value	<u>\$ 13,810</u>	<u>\$ 19,171</u>	

Depreciation expense amounted to \$8,878 and \$20,875, respectively, for the years ended June 30, 2021 and 2020.

**NOTE 13 – NOTES PAYABLE**

On April 15, 2016, NYCEEC entered into an agreement with Bank of America (“BOA”) for a term loan facility with a maximum borrowing capacity of \$10 million, which may be drawn through October 15, 2017 and which matures April 15, 2024 with interim payments due April 15, 2021, 2022 and 2023. Interest accrues on amounts borrowed under the note at 3% per annum and is paid quarterly. As of both June 30, 2021 and 2020, NYCEEC had drawn \$15 million under the note. These amounts are included in notes payable – noncurrent.

On July 1, 2016, NYCEEC entered into agreement with the MacArthur Foundation for a term-loan program related investment in the amount of \$5 million, which may be drawn through June 30, 2018 and which matures July 1, 2031 with interim payments due July 1, 2028, 2029 and 2030. Interest accrues on amounts borrowed under the note at 1% per annum and is paid quarterly. As of June 30, 2021 and 2020, NYCEEC had drawn \$5 million under the note. This amount is included in notes payable – noncurrent.

On July 26, 2016, NYCEEC entered into agreement with Deutsche Bank for a revolving loan facility in the amount of \$5 million, which may be drawn through July 26, 2017 and which matures December 14, 2021. Interest accrues on amounts borrowed under the note at London Inter-bank Offered Rate (“LIBOR”) + 2.25% per annum and is paid quarterly. The facility is subject to an unused facility fee, which accrues on amounts committed but unborrowed at two tenths of one percent (0.20%) and is paid quarterly. As of both June 30, 2021 and 2020, NYCEEC had drawn \$5 million under the note. This amount is included in notes payable – noncurrent.

As of both June 30, 2021 and 2020, NYCEEC had total notes payable of approximately \$15 million. Interest expense for the years ended June 30, 2021 and 2020 amounted to \$496,996 and \$907,409, respectively, and is included in banking, finance and miscellaneous fees in the accompanying statements of functional expenses.

**NOTE 14 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE**

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity’s average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) \$10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the twenty-four week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to NYCEEC’s employees. NYCEEC applied for this loan through Chase Bank and received \$327,005 in April 2020. NYCEEC has opted to account for the PPP loan under FASB ASC Topic 470, “Debt” and recognized a gain, of the entire amount plus accrued interest, resulting from the forgiveness upon legal release of its obligation from the bank and/or the SBA, in June 2021, which is included in the accompanying statements of activities for the year ended June 30, 2021.

NYCEEC participated in the second round of PPP, which enabled NYCEEC to obtain a loan from the SBA. NYCEEC received the PPP loan in the amount of \$303,297 in April 2021.



**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

**A. *Contingencies for Future Audits by Governmental Funding Sources***

Pursuant to NYCEEC’s contractual relationships with its governmental funding sources, governmental agencies have the right to examine NYCEEC’s books and records involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances.

**B. *Lease Commitments***

On September 14, 2018, NYCEEC entered into a lease for the use of facilities in Manhattan which extends through October 31, 2027. The lease is subject to escalations for increases in real estate taxes and other operating expenses. On October 6, 2020, NYCEEC served the lessor with their 270 day notice of lease termination. On March 31, 2021 NYCEEC entered into an amendment for the use of facilities in Manhattan which extends through October 31, 2027.

As of June 30, 2021, minimum future obligations under this lease were approximately as follows:

Fiscal year 2022	\$ 168,840
Fiscal year 2023	168,840
Fiscal year 2024	173,843
Fiscal year 2025	183,848
Fiscal year 2026	183,848
Thereafter	<u>245,131</u>
	<u>\$ 1,124,350</u>

Rent expense for the years ended June 30, 2021 and 2020 amounted to \$206,669 and \$218,488, respectively, and is included in occupancy costs in the accompanying statements of functional expenses.

**C. *Income Taxes***

NYCEEC believes it had no uncertain tax positions as of June 30, 2021 and 2020 in accordance with FASB Accounting Standards Codification Topic 740 (“Income Taxes”), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**D. *Coronavirus (“COVID-19”)***

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on NYCEEC’s business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, NYCEEC is currently unable to fully determine the extent of COVID-19’s impact on its business in future periods. NYCEEC’s performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. NYCEEC will continue to monitor the evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

**NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS**

For the years ended June 30, 2021 and 2020, net assets with donor restrictions amounted to \$30,789,544 and \$32,022,974, respectively. Of this amount, \$469,161 and \$415,807, respectively, has been received from private sources to fund future NYCEEC operations and \$30,320,383 and \$31,607,167, respectively, is intended to fund the revolving loan fund and loan loss reserve fund.

**NEW YORK CITY ENERGY EFFICIENCY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Net assets with donor restrictions were restricted for the following as of June 30:

	<u>2021</u>	<u>2020</u>
Revolving loan and loan loss reserve fund	\$ 30,320,383	\$ 31,607,167
Time restrictions	<u>469,161</u>	<u>415,807</u>
Net book value	<u>\$ 30,789,544</u>	<u>\$ 32,022,974</u>

During the years ended June 30, 2021 and 2020, \$2,079,680 and \$1,174,112, respectively, in allowable expenditures satisfied donor restrictions. During the years ended June 30, 2021 and 2020, these amounts included approximately \$1.3 million and \$780,000, respectively, in funding released to cover the provision for loan losses on anticipated uncollectible loans receivable. Such amounts are recorded as net assets released from restrictions in the accompanying statements of activities.

**NOTE 17 – RETIREMENT PLAN**

NYCEEC maintains a contributory, defined-contribution 401(k) plan covering all employees who meet specific eligibility requirements. The plan is an elective, deferred-salary arrangement. NYCEEC makes safe-harbor contributions matching employee contributions up to 3% of salary and half of employee contributions between 3% and 5%. Employee contributions and employer safe-harbor contributions are considered fully vested. NYCEEC may elect to make additional matching contributions on behalf of employees. Additional matching contributions are considered fully vested after six years of service. During the years ended June 30, 2021 and 2020, NYCEEC contributions into the 401(k) plan on behalf of active employees totaled \$83,522 and \$81,938, respectively, and are included in payroll taxes and employee benefits in the accompanying financial statements.

**NOTE 18 – SUBSEQUENT EVENTS**

NYCEEC has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 5, 2021, the date the financial statements were available to be issued.