



New York City Energy Efficiency Corporation

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

Years Ended June 30, 2020 and 2019

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, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Marks Paneth LLP

New York, NY
November 30, 2020

NEW YORK CITY ENERGY EFFICIENCY CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents (Notes 2H, 3 and 4)	\$ 9,650,026	\$ 10,464,125
Government grants receivable (Notes 2K, 3 and 6)	1,508,431	368,197
Contributions receivable (Notes 2J, 3 and 5)	343,750	36,987
Fees and interest receivable (Notes 2L and 3)	322,869	324,264
Prepaid expenses and other assets	49,215	62,567
Total current assets	11,874,291	11,256,140
Noncurrent assets		
Restricted cash and cash equivalents (Notes 3 and 4)	7,194,597	5,748,139
Restricted cash - escrows held (Notes 3 and 4)	99,378	817,233
Restricted deposit with NYCHDC (Notes 3 and 8)	985,000	985,000
Loans receivable, net (Notes 2D, 2E, 3, 7 and 10)	30,124,133	38,748,587
Property and equipment, net (Notes 2F and 12)	19,171	30,750
Total noncurrent assets	38,422,279	46,329,709
TOTAL ASSETS	\$ 50,296,570	\$ 57,585,849
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses (Note 2G)	\$ 949,922	\$ 874,529
Notes payable (Note 13)	-	1,744,851
Total current liabilities	949,922	2,619,380
Noncurrent liabilities		
Escrows due (Note 9)	124,378	842,234
Notes payable (Note 13)	15,000,000	20,000,000
Loan payable (Note 14)	327,005	-
Total noncurrent liabilities	15,451,383	20,842,234
TOTAL LIABILITIES	16,401,305	23,461,614
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Note 2B)		
Net assets without donor restrictions	1,872,291	1,710,899
Net assets with donor restrictions (Note 16)	32,022,974	32,413,336
TOTAL NET ASSETS	33,895,265	34,124,235
TOTAL LIABILITIES AND NET ASSETS	\$ 50,296,570	\$ 57,585,849

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, 2020 AND 2019

	For the Year Ended June 30, 2020			For the Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019	Without Donor Restrictions	With Donor Restrictions
SUPPORT AND REVENUE						
Contributions (Notes 2J and 5)	\$ 2,600	\$ 783,750	\$ 786,350	\$ 307,557	\$ 7,557	\$ 300,000
Government grants (Notes 2K and 6)	1,988,471	-	1,988,471	938,972	938,972	-
Fee income (Note 2L)	72,431	-	72,431	140,920	140,920	-
Interest from loans receivable (Note 2L)	2,132,894	-	2,132,894	4,359,629	4,359,629	-
Miscellaneous income	15,666	-	15,666	-	-	-
Interest income from banks (Note 2M)	35,496	-	35,496	63,613	63,613	-
Net assets released from restrictions (Notes 2B and 16)	1,174,112	(1,174,112)	-	-	1,937,384	(1,937,384)
TOTAL SUPPORT AND REVENUE	<u>5,421,670</u>	<u>(390,362)</u>	<u>5,031,308</u>	<u>5,810,691</u>	<u>7,448,075</u>	<u>(1,637,384)</u>
EXPENSES						
Program services	4,211,993	-	4,211,993	7,939,610	7,939,610	-
Management and administration	927,028	-	927,028	876,927	876,927	-
Fundraising	121,257	-	121,257	128,465	128,465	-
TOTAL EXPENSES	<u>5,260,278</u>	<u>-</u>	<u>5,260,278</u>	<u>8,945,002</u>	<u>8,945,002</u>	<u>-</u>
CHANGE IN NET ASSETS	161,392	(390,362)	(228,970)	(3,134,311)	(1,496,927)	(1,637,384)
Net assets - beginning of year	1,710,899	32,413,336	34,124,235	37,258,546	3,207,826	34,050,720
NET ASSETS - END OF YEAR	<u>\$ 1,872,291</u>	<u>\$ 32,022,974</u>	<u>\$ 33,895,265</u>	<u>\$ 34,124,235</u>	<u>\$ 1,710,899</u>	<u>\$ 32,413,336</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
(With Summarized Totals for the Year Ended June 30, 2019)

	For the Year Ended June 30, 2020				2019 Total
	Program Services	Supporting Services		2020 Total	
		Management and Administration	Fundraising		
Salaries and wages	\$ 1,352,252	\$ 380,319	\$ 82,076	\$ 1,814,647	\$ 2,021,580
Payroll taxes and employee benefits (Note 17)	325,581	91,569	19,761	436,911	517,972
Total personnel services	<u>1,677,833</u>	<u>471,888</u>	<u>101,837</u>	<u>2,251,558</u>	<u>2,539,552</u>
Professional and consulting fees	248,531	343,621	-	592,152	597,743
Occupancy (Note 15B)	180,418	51,047	11,885	243,350	215,566
Utilities	4,039	1,143	266	5,448	5,422
Insurance	27,390	7,750	1,804	36,944	33,622
Travel, meetings and conferences	8,996	2,545	593	12,134	19,771
Supplies and office expense	10,265	2,904	676	13,845	8,850
Telecom, internet and website	41,454	11,729	2,731	55,914	54,320
Postage and delivery	682	193	45	920	695
Minor furniture, equipment and leases	6,065	1,716	400	8,181	8,570
Payroll and benefits processing fees	-	13,657	-	13,657	12,809
Banking, finance and miscellaneous fees (Note 13)	907,411	14,456	-	921,867	954,275
Depreciation (Note 12)	<u>15,476</u>	<u>4,379</u>	<u>1,020</u>	<u>20,875</u>	<u>51,445</u>
Total expenses before provision for loan losses	3,128,560	927,028	121,257	4,176,845	4,502,640
Provision for loan losses (Notes 2E and 7)	<u>1,083,433</u>	<u>-</u>	<u>-</u>	<u>1,083,433</u>	<u>4,442,362</u>
Total expenses	<u>\$ 4,211,993</u>	<u>\$ 927,028</u>	<u>\$ 121,257</u>	<u>\$ 5,260,278</u>	<u>\$ 8,945,002</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, 2019

	Program Services	Supporting Services		Total
		Management and Administration	Fundraising	
Salaries and wages	\$ 1,516,460	\$ 414,818	\$ 90,302	\$ 2,021,580
Payroll taxes and employee benefits (Note 17)	388,550	106,285	23,137	517,972
Total personnel services	1,905,010	521,103	113,439	2,539,552
Professional and consulting fees	341,287	253,851	2,605	597,743
Occupancy (Note 15B)	164,899	43,646	7,021	215,566
Utilities	4,147	1,098	177	5,422
Insurance	25,719	6,808	1,095	33,622
Travel, meetings and conferences	15,124	4,003	644	19,771
Supplies and office expense	6,770	1,792	288	8,850
Telecom, internet and website	45,564	7,543	1,213	54,320
Postage and delivery	531	141	23	695
Minor furniture, equipment and leases	6,556	1,735	279	8,570
Payroll and benefits processing fees	-	12,809	-	12,809
Banking, finance and miscellaneous fees (Note 13)	942,288	11,982	5	954,275
Depreciation (Note 12)	39,353	10,416	1,676	51,445
Total expenses before provision for loan losses	3,497,248	876,927	128,465	4,502,640
Provision for loan losses (Notes 2E and 7)	4,442,362	-	-	4,442,362
Total expenses	<u>\$ 7,939,610</u>	<u>\$ 876,927</u>	<u>\$ 128,465</u>	<u>\$ 8,945,002</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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (228,970)	\$ (3,134,311)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	20,875	51,445
Provision for loan losses	1,083,433	4,442,362
Amortization of deferred rent	<u>(6,960)</u>	<u>107,913</u>
Subtotal	868,378	1,467,409
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants receivable	(1,140,234)	129,669
Contributions receivable	(306,763)	(36,987)
Fees and interest receivable	1,395	87,443
Prepaid expenses and other assets	13,352	(9,194)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>82,353</u>	<u>(50,206)</u>
Net Cash (Used in) Provided by Operating Activities	<u>(481,519)</u>	<u>1,588,134</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash held in escrow	(717,856)	(28,937)
Interest capitalized	(3,771,824)	(3,048,672)
Loans disbursed	(4,446,432)	(3,813,657)
Loan payments received	15,759,277	5,828,238
Acquisitions of property and equipment	<u>(9,296)</u>	<u>(10,296)</u>
Net Cash Provided by (Used in) Investing Activities	<u>6,813,869</u>	<u>(1,073,324)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	-	483,041
Repayments of notes payable	(6,744,851)	(40,000)
Loan payable	<u>327,005</u>	<u>-</u>
Net Cash (Used in) Provided by Financing Activities	<u>(6,417,846)</u>	<u>443,041</u>
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(85,496)	957,851
Cash, cash equivalents and restricted cash– Beginning of year	<u>18,014,497</u>	<u>17,056,646</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH – END OF YEAR	<u>\$ 17,929,001</u>	<u>\$ 18,014,497</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 766,552</u>	<u>\$ 904,524</u>

NEW YORK CITY ENERGY EFFICIENCY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 AND 2019

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. 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, 2020 and 2019 the accompanying financial statements included provisions on allowance for uncollectible loans of \$15,497,110 and \$11,130,182, 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 \$105,833 and \$112,793 as of June 30, 2020 and 2019, respectively.

NEW YORK CITY ENERGY EFFICIENCY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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.

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 contributions released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions are accounted for under Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). See Note 2N for further details.

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 2N. Grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Government grants amounted to \$1,988,471 and \$938,972 for the years ended June 30, 2020 and 2019, respectively, and are included in the statements of activities.

As of June 30, 2020, and 2019, NYCEEC received conditional grants and contracts from government agencies in the aggregate amount of approximately \$422,000 and \$2,190,455, respectively. Such grants have not been recognized in the accompanying consolidated 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, 2020 AND 2019

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.

N. Recent Accounting Pronouncements

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) was adopted for the year ended June 30, 2020. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution or government grant is conditional.

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, 2020, NYCEEC had working capital of approximately \$10.9 million and a current ratio of 12.5. At year end, unrestricted cash and cash equivalents of approximately \$9.7 million represented 896 days of cash on hand based on the fiscal year 2021 operating budget, with the majority of these funds intended for lending. NYCEEC additionally had short-term receivables of approximately \$3.2 million. An additional \$7.2 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 statement 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,650,026	\$ 10,464,125
Government grants receivable	1,508,431	368,197
Contributions receivable	343,750	36,987
Fees and interest receivables	322,869	324,264
Loans receivable, net	<u>3,222,138</u>	<u>5,276,839</u>
	<u>\$ 15,047,214</u>	<u>\$ 16,470,412</u>

NOTE 4 – CASH AND CASH EQUIVALENTS

As of June 30, 2020, NYCEEC’s bank balance was \$17,032,148 compared to its book balance of \$16,944,001. The difference between the bank balance and book balance of \$88,147 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 \$16,322,718 was fully collateralized under a pledge and assignment agreement with JP Morgan Chase. The remaining \$209,430 is uncollateralized.

NOTE 5 – CONTRIBUTIONS

NYCEEC was awarded a total of \$786,350 and \$307,557 in private foundation funding during the years ended June 30, 2020 and 2019, respectively. Since inception, NYCEEC has been awarded \$7.9 million in private foundation funding. As of June 30, 2020 and 2019, the outstanding receivable balance amounted to \$343,750 and \$36,987, respectively.

NEW YORK CITY ENERGY EFFICIENCY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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.

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. NYCEEC recorded a receivable balance from the City as of June 30, 2019 amounting to \$266,697 for expenditures incurred. As of June 30, 2020, \$507,660 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, 2020 and 2019, 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 \$32.0 million and \$32.4 million, respectively (see Note 16). For the years ended June 30, 2020 and 2019, approximately \$780,000 and \$1.6 million, 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, 2020, NYCEEC has closed ninety financing transactions, totaling approximately \$82.6 million. These ninety transactions have consisted of six loan loss reserve transactions totaling \$12.2 million and eighty-four loans totaling \$70.4 million since inception.

Of the \$70.4 million in NYCEEC loan commitments, \$69.8 million has been drawn by borrowers through June 30, 2020 and approximately \$600,000 remains to be drawn. In fiscal year 2020, interest of \$3.8 was capitalized and added to principal. NYCEEC has collected approximately \$15.8 million in principal repayments in fiscal year 2020.

Loans receivable consists of the following as of June 30:

	2020	2019
Loans receivable, beginning	\$ 55,442,153	\$ 50,925,750
Loan disbursements	4,685,818	7,295,977
Interest capitalization	3,771,824	3,048,672
Loan repayments	<u>(15,759,277)</u>	<u>(5,828,246)</u>
Loans receivable, ending	48,140,518	55,442,153
Less allowance	(15,497,110)	(11,130,182)
Less loans serviced on behalf of third parties	<u>(2,519,275)</u>	<u>(5,563,384)</u>
 Loans receivable, net	 <u>\$ 30,124,133</u>	 <u>\$ 38,748,587</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:

	2020	2019
Due in less than one year	\$ 4,867,488	\$ 5,835,549
Due within one to five years	7,834,215	11,181,991
Due after five years	<u>35,438,815</u>	<u>38,424,613</u>
	 <u>\$ 48,140,518</u>	 <u>\$ 55,442,153</u>

NEW YORK CITY ENERGY EFFICIENCY CORPORATION
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NOTE 7 – LOANS AND COLLATERAL COMMITMENTS (Continued)

B. Concentrations

As of June 30, 2020 and 2019, borrowers with outstanding balances in excess of 10% of the gross loans receivable accounted for 80% and 62% of the portfolio, respectively. 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, \$9.7 million and \$6.2 million representing approximately 47%, 20% and 13%, respectively, of NYCEEC's loan portfolio, net of participations. As of June 30, 2019, the largest concentrations of loans receivables were with three borrowers across five loans and amounted to approximately \$19.4 million, \$7.6 million and \$7.1 million representing approximately 35%, 14% and 13%, 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, 2020 and 2019 by rating category is summarized as follows:

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>

Classification	Loans Receivable	Loan-Loss Reserves	Provision	June 30, 2019, Net
Specific	\$ 7,166,085	\$ -	\$ (7,166,085)	\$ -
1	27,177,605	985,000	(471,685)	27,690,920
2	5,302,806	-	(530,281)	4,772,525
3	14,810,657	-	(2,962,131)	11,848,526
	<u>\$ 54,457,153</u>	<u>\$ 985,000</u>	<u>\$ (11,130,182)</u>	\$ 44,311,971
Less: Loans serviced on behalf of third parties				<u>(5,563,384)</u>
Net loans receivable				<u>\$ 38,748,587</u>

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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 2020, and as of June 30, 2020, 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, 2020 and 2019, earnings on this reserve fund were \$18,114 and \$21,112, 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, 2020 and 2019, these payments and interest accrued have decreased the amounts held in reserve by approximately \$719,000 and \$54,000, 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 a contractual arrangement between New York State Energy Research & Development (“NYSERDA”) and NYCEEC, NYSERDA contributed \$721,332 to the origination of seven project loans which has been disbursed to borrowers. 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 this loan on behalf of NYSERDA. The repayment of funds to NYSERDA is made on a non-recourse basis and with no associated interest.

During the years ended June 30, 2020 and 2019, NYCEEC made repayments to NYSERDA of \$86,009 and \$1,116,043, respectively. As of June 30, 2020 and 2019, \$19,038 and \$300,131, respectively, is due to NYSERDA, which is netted against the loans receivable in the accompanying statements of financial position.

Pursuant to a contractual arrangement with a third-party participant to co-fund one project loan, \$2,143,779 has been contributed by third-party capital in accordance with the loan terms during the year ended June 30, 2020. Inclusive of NYSERDA and this private investor, the total loan participations serviced on behalf of third parties as of June 30, 2020 and 2019 were \$2,519,275 and \$5,563,384, 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.

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NOTE 12 – PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</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>88,969</u>	<u>81,436</u>	3 Years
Total cost	137,631	130,098	
Less: accumulated depreciation	<u>(118,460)</u>	<u>(99,348)</u>	
Net book value	<u>\$ 19,171</u>	<u>\$ 30,750</u>	

Depreciation expense amounted to \$20,875 and \$51,445, respectively, for the years ended June 30, 2020 and 2019. During the years ended June 30, 2020 and 2019, NYCEEC wrote-off fully depreciated leasehold improvements amounting to \$0 and \$196,677, respectively. This write-off reflected leasehold improvements no longer in service.

NOTE 13 – NOTES PAYABLE

On December 5, 2017, NYCEEC entered into an agreement with FJC, a New York not-for-profit corporation, for a term loan facility to support an energy improvement project with a maximum borrowing capacity of \$1.82 million and which matures May 31, 2020. Interest accrues on amounts borrowed under the note at prime + 3% per annum and is paid quarterly. As of June 30, 2020 and 2019, NYCEEC had drawn \$0 and \$1.7 million, respectively. This amount is included in notes payable – current as of June 30, 2019. This loan was paid off in the current year.

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 June 30, 2020 and 2019, NYCEEC had drawn \$5 million and \$10 million under the note, respectively. 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, 2020 and 2019, 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 June 30, 2020 and 2019, NYCEEC had drawn \$5 million under the note. This amount is included in notes payable – noncurrent.

As of June 30, 2020 and 2019, NYCEEC had total notes payable of approximately \$15 million and \$21.7 million, respectively. Interest expense for the years ended June 30, 2020 and 2019 amounted to \$907,409 and \$944,654, respectively, and is included in banking, finance and miscellaneous fees in the accompanying statements of functional expenses.

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NOTE 14 - LOAN PAYABLE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability 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 as a liability and expects to recognize the gain resulting from the forgiveness upon legal release of its obligation from the bank and/or the SBA.

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.

As of June 30, 2020, minimum future obligations under this lease is approximately \$225,000.

Rent expense for the years ended June 30, 2020 and 2019 amounted to \$218,488 and \$191,815, 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, 2020 and 2019 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.

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NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS

For the years ended June 30, 2020 and 2019, net assets with donor restrictions amounted to \$32,022,974 and \$32,413,336, respectively. Of this amount, \$415,807 and \$25,743, respectively, has been received from private sources to fund future NYCEEC operations and \$31,607,167 and \$32,387,593, respectively, is intended to fund the revolving loan fund and loan loss reserve fund.

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

	2020	2019
Revolving loan and loan loss reserve fund	\$ 31,607,167	\$ 32,387,593
Time restrictions	415,807	25,743
Net book value	\$ 32,022,974	\$ 32,413,336

During the years ended June 30, 2020 and 2019, \$1,174,112 and \$1,937,384, respectively, in allowable expenditures satisfied donor restrictions. During the years ended June 30, 2020 and 2019, these amounts included approximately \$780,000 and \$1.6 million, 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, 2020 and 2019, NYCEEC contributions into the 401(k) plan on behalf of active employees totaled \$81,938 and \$99,473, 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 30, 2020, the date the financial statements were available to be issued.