# DORMITORY AUTHORITY OF THE STATE OF NEW YORK

(A Component Unit of the State of New York)

Basic Financial Statements

March 31, 2022

(With Independent Auditors' Report Thereon)

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**
(A Component Unit of the State of New York)

March 31, 2022

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

# Independent Auditors' Report

The Board of Directors
Dormitory Authority of the State of New York:

## Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of the Dormitory Authority of the State of New York (DASNY), a component unit of the State of New York as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise DASNY's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of DASNY as of March 31, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

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

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 DASNY's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DASNY's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability New York State and Local Employees' Retirement System, the schedule of pension contributions New York State and Local Employees' Retirement System, and the schedule of changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2022 on our consideration of DASNY's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DASNY's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DASNY's internal control over financial reporting and compliance.

KPMG LLP

Albany, New York
June 22, 2022

The following discussion and analysis of the Dormitory Authority of the State of New York's (DASNY) financial performance provides an overview of DASNY's activities as of and for the year ended March 31, 2022. It should be read in conjunction with DASNY's financial statements that follow this section. This discussion and analysis is intended to serve as an introduction to DASNY's basic financial statements, which are comprised of the financial statements and the notes to the financial statements.

**Background**

DASNY is a public benefit corporation, an independent corporate agency with governmental functions delegated to it by the State of New York (the State), and is authorized to finance, design, construct or rehabilitate buildings for use by various public and private not-for-profit corporations.

DASNY is governed by an eleven-member Board composed of the Director of the Budget of the State, the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her, five members appointed by the Governor, with the advice and consent of the Senate, one member appointed by the Temporary President of the State Senate, and one member appointed by the Speaker of the State Assembly. All bonds and notes issued by DASNY must also be approved by the New York State Public Authorities Control Board.

**DASNY Lines of Business**

DASNY's two primary lines of business are debt issuance and construction management, which are supported by DASNY's operating activities. Both lines of business derive the majority of their business from public clients (93% average over the last 5 years), the majority of which comes from our construction management activities (80% average over the last 5 years).

As a part of its operating activities, DASNY also devotes significant efforts to the administration of grants authorized by the State and payable to a variety of public and private grantees from proceeds of bonds issued by DASNY. DASNY has a staff of approximately 475 located in four main offices (Albany, New York City, Rochester and Buffalo) and at approximately 50 field sites across the State. DASNY provides services to various clients within two major categories: private institutions, which generally include clients qualified under Section 501(c)(3) of the Internal Revenue Code (e.g. not-for-profit healthcare clients and independent colleges, universities and other not-for-profit organizations), and public entities, which include the State University of New York (SUNY), the City University of New York (CUNY), New York State (NYS) agencies and municipal facilities. DASNY's clients, both public and private, typically have alternatives to using the debt issuance and construction management services offered by DASNY.

*DASNY Operating Activities*

DASNY operating revenues primarily result from financing fees related to debt issuances, annual administrative fees related to ongoing bond management, and construction fees related to project management and other construction-related services provided. Generally, private institutions pay a financing fee upon issuance of the bonds and notes and an ongoing annual administrative fee throughout the term of the bonds and notes based on a percentage of either the original par amount or the par amount outstanding, depending on the fee structure in place when the bonds or notes were issued. Other public clients (e.g., CUNY, SUNY, NYS agencies, and court facilities) pay financing and administrative fees in amounts equal to their respective allocable share of DASNY operating expenses applicable to financing and ongoing bond management activities. Construction fees for public and private clients are generally equal to the allocable amount of DASNY operating expenses attributable to the construction services provided.

*Construction Management*

DASNY's Construction Management business consists of two levels of service – DASNY-Managed and reimbursement based (Certified Construction).

For DASNY-Managed projects, these services include direct project management as well as ancillary services including design preparation and review, bidding, negotiating, and administering contracts for construction, acquisition of furniture, fixtures and equipment, and on-site project management. DASNY generally provides project management services on the projects that are funded from bonds and notes issued by DASNY on behalf of most of its public clients. DASNY also provides its Construction Management services to certain other public clients, with the cost of such projects funded from amounts provided by the clients. DASNY's statutorily authorized client base continues to grow. At any given time, DASNY actively manages 600-1,000 projects of varying sizes ranging from several thousand dollars to several hundred million dollars.

Certified Construction Disbursements represent disbursements for projects where DASNY does not provide any construction services, but rather, the individual clients manage the construction and DASNY reimburses the clients for expenditures made. This category includes construction disbursements made on behalf of most not-for-profit healthcare, independent colleges, universities, and other not-for-profit organizations, as well as SUNY educational facilities, certain State grant programs, public school districts, Boards of Cooperative Educational Services (BOCES) and Special Act School Districts.

*Debt Issuance*

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes. DASNY issues debt for three purposes, for both its public and private clients:

New money debt – to fund new money projects and grants;

Refunding debt – to refund previously issued DASNY bonds; and

Refinancing debt – to refund or refinance non-DASNY bonds and commercial loans

Debt Issuance activities also include various types of bond retirements:

Scheduled redemptions – bonds retired in accordance with their respective amortization schedules

Refundings – bonds redeemed or defeased through DASNY's issuance of refunding bonds; and

Defeasances and early redemptions – bonds redeemed or defeased with:

1. funds deposited by institutions of which some amounts have been funded through the issuance of debt by other issuers or financial institutions;



(Continued)

2. proceeds from the sale of buildings or property, securing the related bonds; or
3. existing assets in bond accounts.

As a means to lower borrowing costs for New York City (the City) and to cost effectively support their strategy to diversify their debt portfolio with a combination of fixed and variable rate debt and more closely match their assets and liabilities, DASNY enters into interest rate swap agreements at various times. DASNY's swaps are undertaken as a part of the City's overall debt management programs. DASNY is only obligated to make swap payments from monies paid to it by the City pursuant to lease and financing agreements related to the City-supported bonds. More detailed information regarding DASNY's interest rate exchange agreements, including their requirements and risks, are presented in notes 7 and 8 to the basic financial statements.

All of DASNY's outstanding bonds and notes are special obligations payable solely from payments required to be made by or for the account of the client for which the particular special obligations were issued. Such payments are pledged or assigned to the trustees for the holders of the respective special obligations. DASNY has no obligation to pay its special obligations other than from such payments. In addition, certain bond and note issues are also secured by other forms of credit enhancement, including municipal bond insurance and bank letters of credit. DASNY monitors the ratings of credit enhancers and takes appropriate actions as required under the provisions of the related bond documents. More detailed information regarding events of default, termination events and subjective acceleration clauses are presented in note 7 to the basic financial statements. DASNY also works closely with its clients to identify and implement strategies, including refunding bonds, converting interest rate modes, and adding or substituting liquidity facilities, to mitigate the effects of market changes as well as downgrades to credit enhancer ratings. See note 7 to the basic financial statements for a further discussion of bonds and notes outstanding.

**Executive Summary**

At DASNY, we are continuously evolving to meet the needs of our clients and support New York State's initiatives to make New York State a better place to live, work and learn. During the 2022 fiscal year, DASNY continued to work with the State and other clients to address the financial impact of the COVID-19 Coronavirus Pandemic. The State enacted legislation once again authorizing DASNY to (1) issue revenue anticipation notes and bond anticipation notes under the Personal Income Tax program and (2) negotiate on behalf of the State and enter into line of credit facilities with financial institutions. Both measures were enacted to provide working capital to enable the State to continue meeting its fiscal management needs during the fiscal year in response to projected cashflow shortfalls. As tax collections were significantly better than projected and the State received federal funding, the State did not make use of either facility during the fiscal year.

Disruptions in the economy over the course of the pandemic have led to record high inflation in 2021. Interest rates had been at historical lows since the beginning of the pandemic, resulting in significant decreases in income on investments DASNY recorded in 2021 and 2022 from historical levels. As the Fed looked to taper inflation and institute measures to ease the overall demand in goods and services, they moved to raise interest rates for the first time since 2018 with a 25 basis points increase in March 2022 and signaled an additional six rate hikes for the remainder of 2022. This policy shift led to volatility in the markets, with interest rates on government securities rising rapidly in March 2022. Higher interest rates on fixed income securities equates to lower prices for the underlying securities. As a result of lower prices, DASNY's investment portfolio had a significant write down in market value due to higher prices at the time of the original purchase.

DASNY continued expanding its construction services line of business in support of several important New York State initiatives.

DASNY continued its work on the Fashion Institute of Technology (FIT) new academic building. Phase I foundation work progressed during 2021 and completed in January 2022. Phase II has begun with structural steel framing advancing with building enclosure envisioned by the end of 2022 and project completion projected for December 2023.

DASNY continued work on the Lehman College – School of Nursing project, foundation work progressed during 2021, structural steel framing completed with steel topping off in the Spring 2022.

During 2022 the Javits Convention Center Expansion Project received a Temporary Approval for Occupancy (TAO) for the North Building addition and has since received a TAO for the Merged Condition project consisting of the North Building, Transformer Building and South Building upgrades. Events are now occurring throughout the Convention Center.

DASNY's debt issuance activities had another strong year, issuing approximately $9 billion in debt. Total outstanding bonds and notes balance was approximately $60 billion as of March 31, 2022.

From a reporting perspective, DASNY adopted GASB (defined below) Statement No. 93, *Replacement of Interbank Offered Rates*. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The pronouncement seeks to address the accounting and financial reporting effects that result from the replacement of interbank offered rates. GASB issued Statement No. 99 Omnibus (GASB Statement No. 99) in April 2022 which in paragraph 26 extended the period during which LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt. To address the difference in the timing of the cessation of individual tenors and any future extensions, the cutoff point for certain LIBOR tenors will be when LIBOR ceases to be determined using the methodology in place as of December 31, 2021. There was no impact on the financial statements as a result of adopting GASB Statement No. 93 and paragraph 26 of GASB Statement No. 99.

### Overview of Basic Financial Statements

DASNY is considered a special-purpose government entity engaged in business-type activities and follows financial reporting for enterprise funds. The basic financial statements provide information about DASNY's overall financial condition. The notes provide explanations and more details about the content of the basic financial statements.

DASNY has elected the option under Governmental Accounting Standards Board (GASB) Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, to report conduit debt in its basic financial statements. Pursuant to this election, DASNY's basic financial statements are a compilation of approximately 2,000 separate self-balancing accounts related to both the individual series of outstanding bonds and notes and the individual operating accounts for nonbonded projects, various special purposes and operations. DASNY does not commingle cash and investments.

As a result of the inclusion of conduit debt, the majority of the activity reflected in the financial statements does not reflect DASNY's own financial position or health. Rather, the vast majority of activity reflected in the basic financial statements relates to:

1. monies held in the restricted accounts associated with the issuance of bonds and notes;
2. the collection of monies in accordance with the provisions of the underlying loan or financing agreements;
3. the payments to the holders of the bonds and notes in accordance with the provisions of the underlying bond and note resolutions; and
4. disbursements for construction and other loan activity.

This report consists of four parts: management's discussion and analysis, financial statements, the notes to the financial statements, and required supplementary information. The three financial statements presented are as follows:

- Statement of Net Position – This statement presents information reflecting DASNY's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position represents the amount of total assets and deferred outflows of resources less liabilities and deferred inflows of resources and is one way to measure DASNY's financial position. Net position is comprised of Unrestricted Net Position, related to DASNY's operating activities, Restricted Net Position, related to monies held in the restricted bond and note accounts, and Net Investment in Capital Assets, primarily related to its Albany headquarters building. Restricted Net Position remains in the accounts of each of the individual bond or note issues and accrues to the benefit of the respective client institutions. At final maturity, the restricted net position of an individual bond or note issue will be zero ($0).
- Statement of Revenues, Expenses, and Changes in Net Position – This statement reflects DASNY's operating and nonoperating revenues and expenses for each year. The majority of DASNY's revenue and expense activity does not relate to operations; rather it relates to activity in the restricted accounts of the individual series of bonds and notes. In some years, revenues exceed expenses in restricted bond and note accounts. In other years, expenses exceed revenues in restricted bond and note accounts as accumulated revenues are utilized for various purposes. Restricted Net Position remains in each of the individual bond or note issues and accrues to the benefit of the respective client institutions.
- Statement of Cash Flows – The statement of cash flows is presented using the direct method of reporting which reflects cash flows from operating, noncapital financing, capital financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year. The statement also includes a reconciliation between operating gain or loss per the Statement of Revenues, Expenses, and Changes in Net Position to net cash from operating activities per the Statement of Cash Flows.


(Continued)

## Discussion of DASNY Lines of Business Activities

*DASNY Operating Activities*

DASNY's internal operating expenses totaled approximately $85 million during 2022 and 2021, of which 6% and 7%, respectively, were allocable to private institutions, while 94% and 93% were allocable to public programs.

DASNY's personal service expenses totaled approximately $77 million during 2022 and 2021, of which 83% and 81%, respectively, were associated with Construction Management activities.

## Debt Issuance Activities

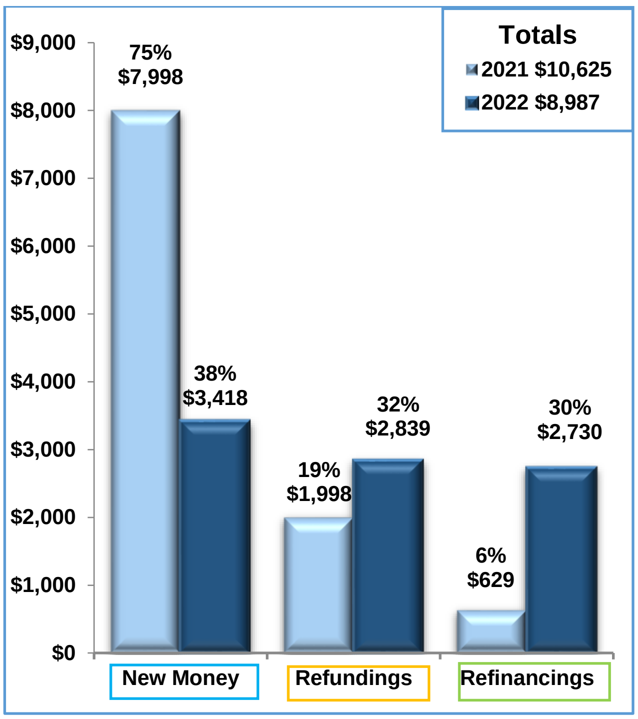
*Bonds and Notes Issued*

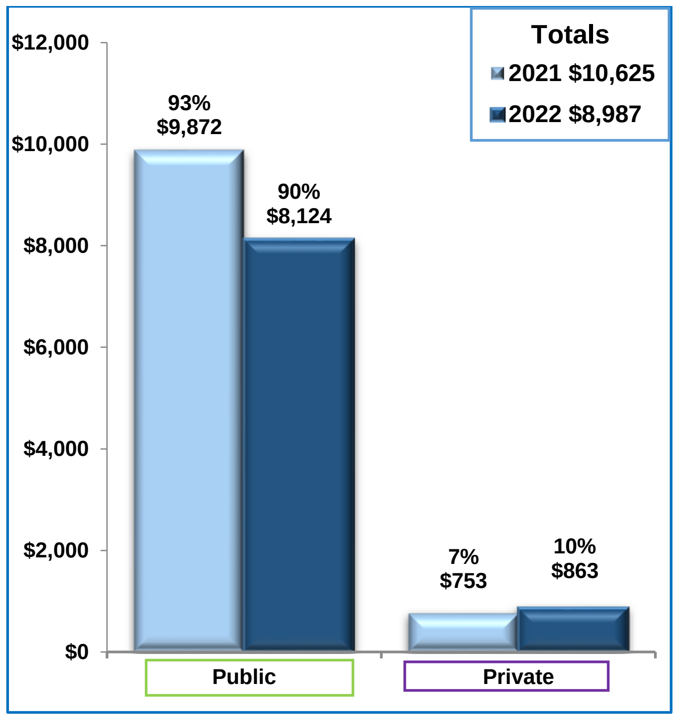
As the charts on the following page illustrate, DASNY's Debt Issuance activity includes new money, refundings and refinancings with approximately 90% of the activity coming from public clients. During 2022, the par value of bonds issued decreased approximately $1.6 billion due to decreases in new money issuances, partially offset by increases in refunding and refinancing issuances. The decrease in new money was the result of a high level of issuance activity in 2021 on behalf of the State in connection with short-term note financing for working capital needs related to the COVID-19 pandemic. Those short-term working capital needs were not needed in 2022. The charts on the following page provide additional detail regarding the three types of issuances by client type.

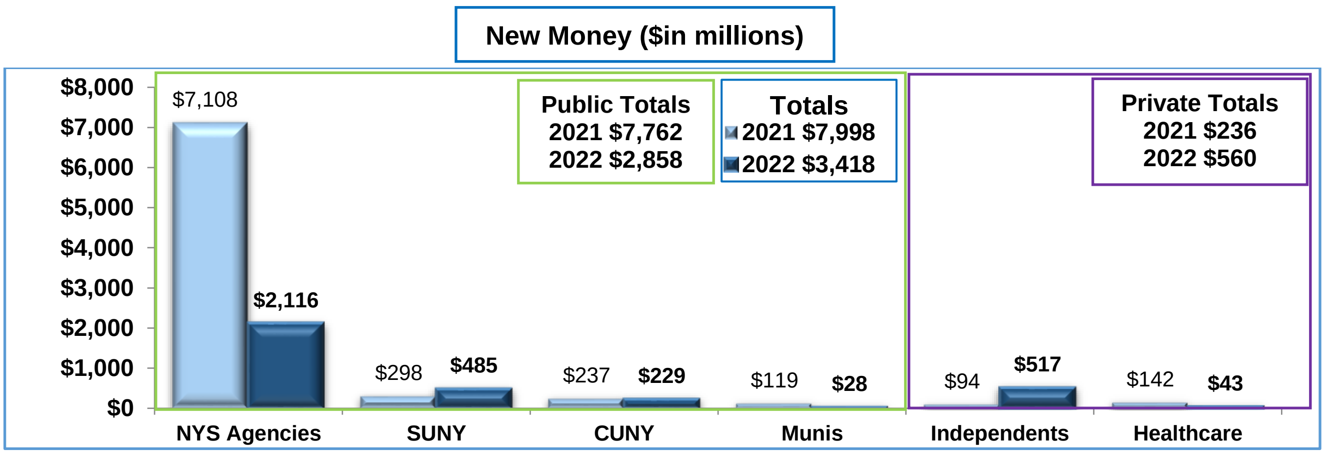
The decrease in new money issuances offset by increases in refunding and refinancing issuances from public in conjunction with issuances for private clients remaining largely unchanged from the prior year, drove a shift in the public-to-private proportion, with the public share decreasing slightly from 93% in 2021 to 90% in 2022.

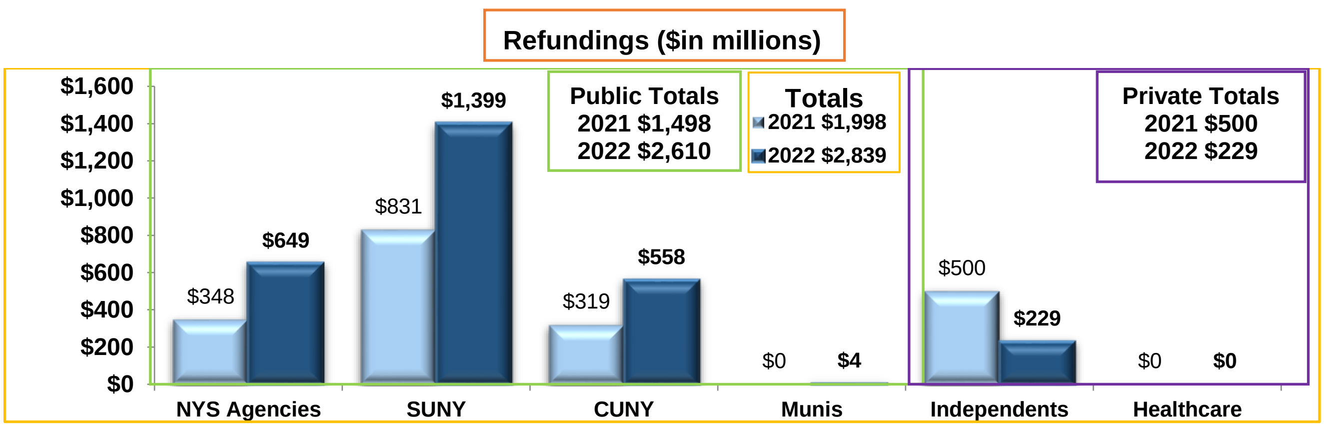
**Par Amount of Bonds and Notes Issued ($in millions)**

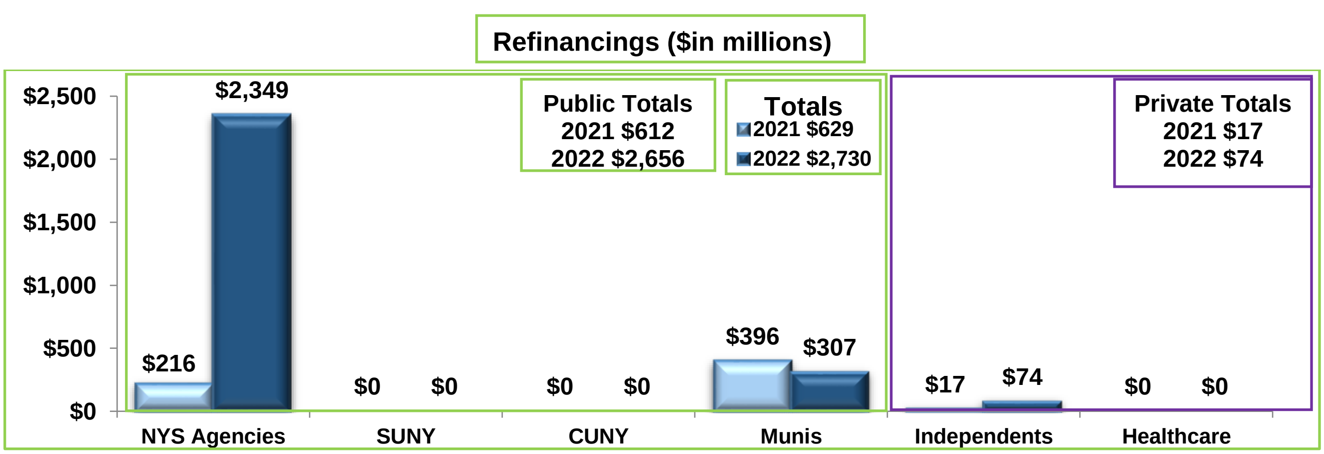
These amounts vary from the amounts reflected in Proceeds from Issuance of Bonds and Notes on the Statement of Cash Flows due to the inclusion of the net premium received on the bonds and notes issued in the Statement of Cash Flows.




New Money ($in millions)
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$7,108
$2,116
$298
$485
$237
$229
$119
$28
$94
$517
$142
$43
Public Totals
2021 $7,762
2022 $2,858
Totals
2021 $7,998
2022 $3,418
Private Totals
2021 $236
2022 $560
NYS Agencies
SUNY
CUNY
Munis
Independents
Healthcare

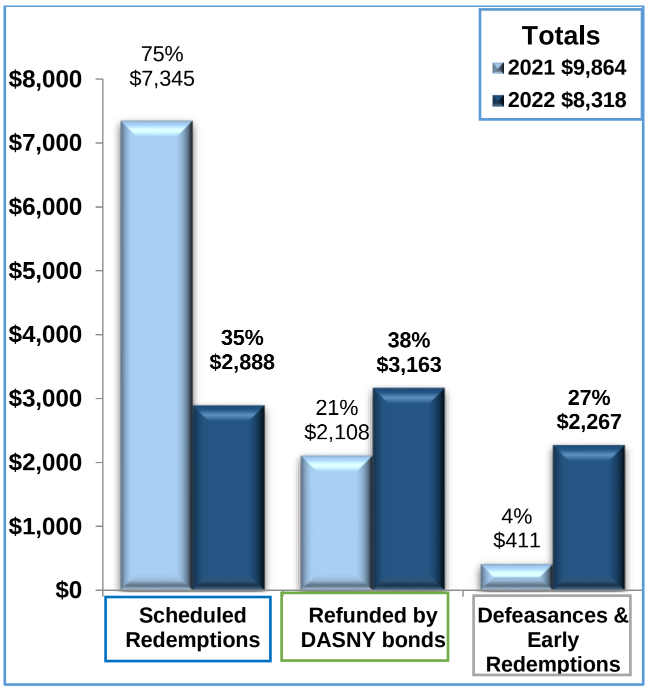

Refundings ($in millions)
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
$348
$649
$831
$1,399
$319
$558
$0
$4
$500
$229
$0
$0
Public Totals
2021 $1,498
2022 $2,610
Totals
2021 $1,998
2022 $2,839
Private Totals
2021 $500
2022 $229
NYS Agencies
SUNY
CUNY
Munis
Independents
Healthcare

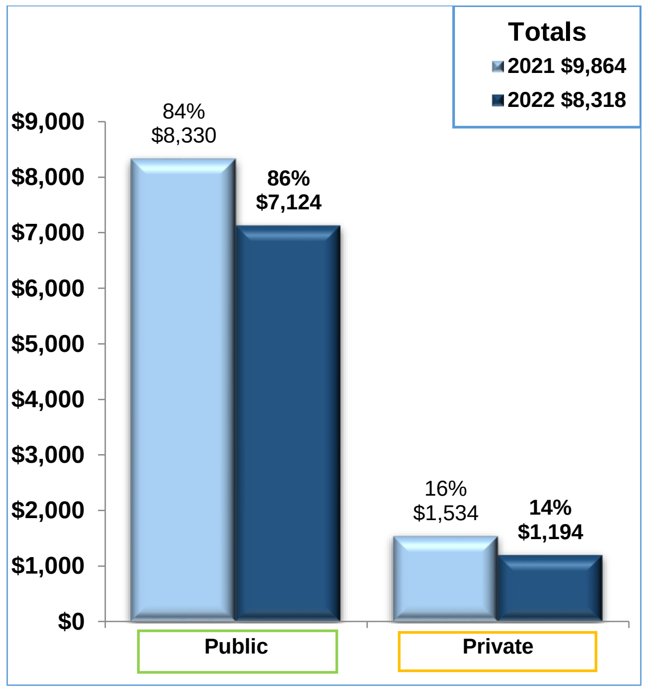

Refinancings ($in millions)
$2,500
$2,000
$1,500
$1,000
$500
$0
$216
$2,349
$0
$0
$0
$0
$396
$307
$17
$74
$0
$0
Public Totals
2021 $612
2022 $2,656
Totals
2021 $629
2022 $2,730
Private Totals
2021 $17
2022 $74
NYS Agencies
SUNY
CUNY
Munis
Independents
Healthcare

*Bonds and Notes Retired*

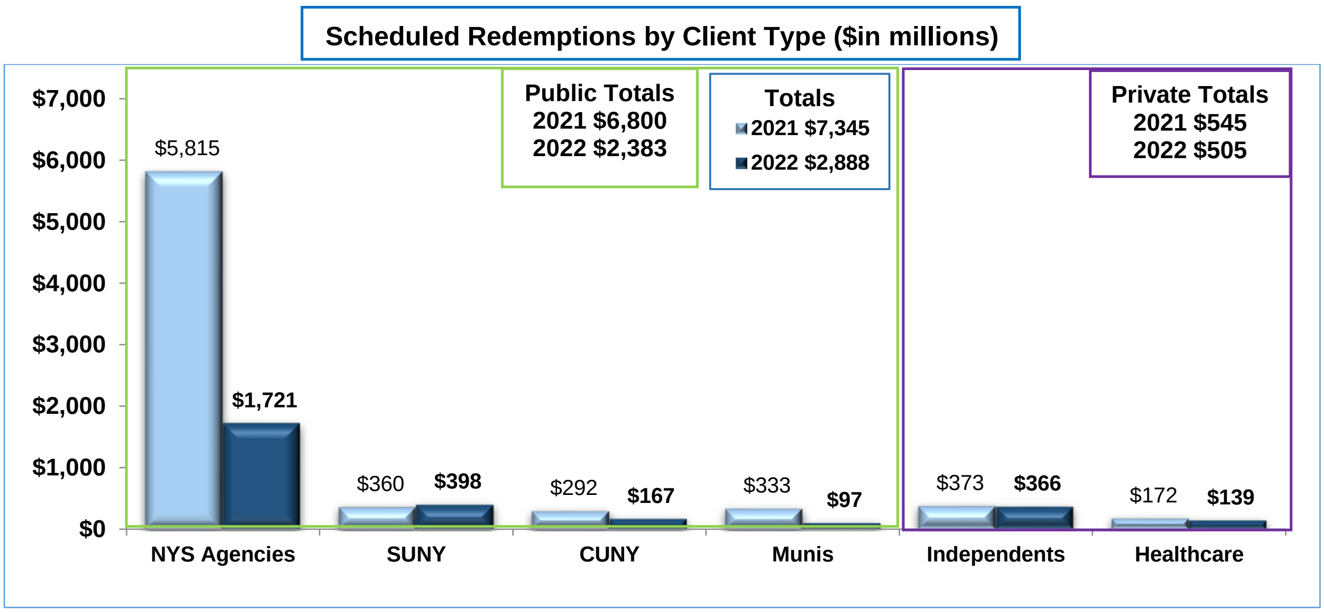
Bond retirements were $1.5 billion lower in 2022, primarily due to a reduced level of scheduled redemptions from prior year activity. As shown in the charts below, scheduled redemption of DASNY bonds contributed approximately 35% of DASNY's bond retirement activity in 2022, compared with 75% in the prior year driven by public clients. Refundings of DASNY bonds contributed approximately 38% of DASNY's bond retirement activity, more than three-quarters of which were for DASNY's public clients.

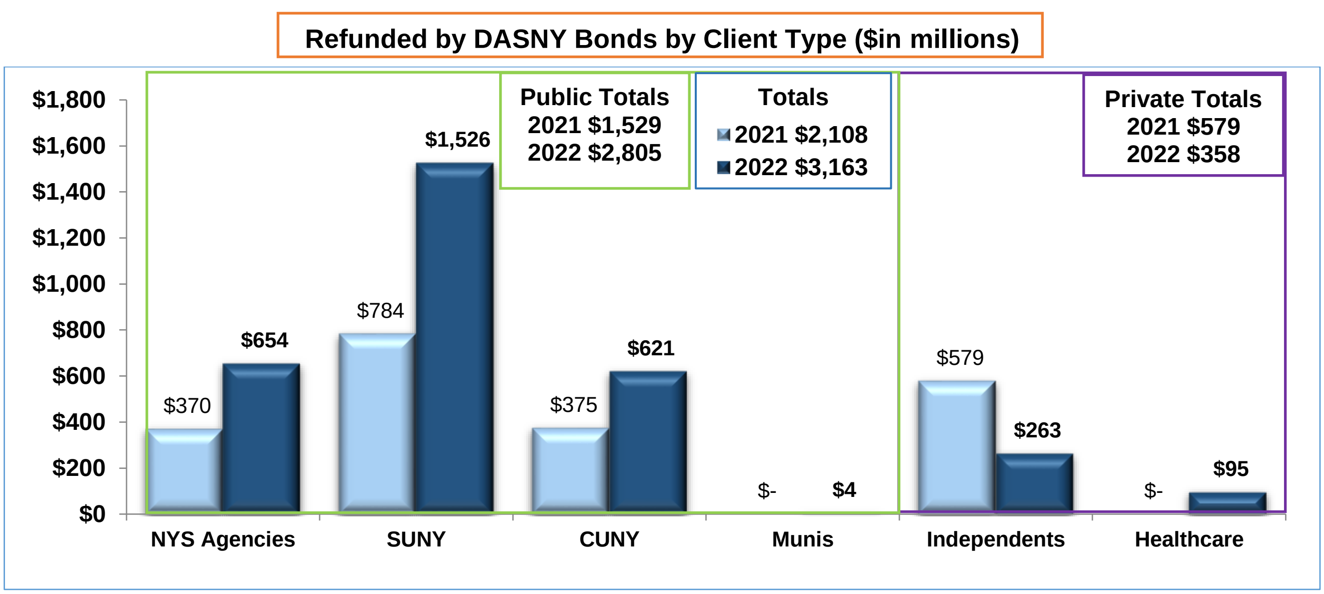
**Par Amount of Bonds Retired ($in millions)**



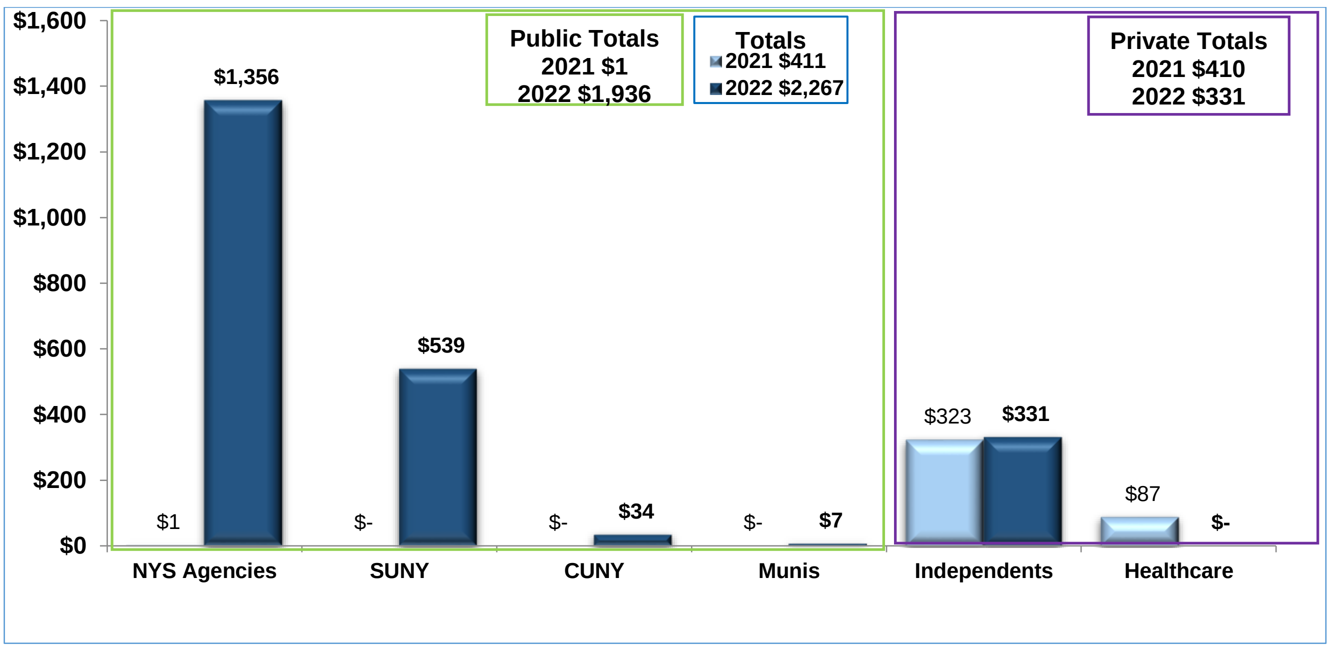




The amount refunded by DASNY presented above varies from the amount of refunding debt issued shown in the previous chart due to several factors. Original issue premium on the new bonds issued, balances available in existing bond accounts, and lower interest rates on the new bonds as compared to interest rates on the prior bonds each reduce the amount of new bonds required to refund the prior bonds. The need to fund bondholder interest on the prior bonds through the final redemption dates increases the amount of new bonds required to refund prior bonds. Generally, the amount of refunding debt issued by DASNY is less than the amount of bonds refunded by DASNY.


Scheduled Redemptions by Client Type ($in millions)
Public Totals
2021 $6,800
2022 $2,383
Totals
2021 $7,345
2022 $2,888
Private Totals
2021 $545
2022 $505
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$5,815
$1,721
$360
$398
$292
$167
$333
$97
$373
$366
$172
$139
NYS Agencies
SUNY
CUNY
Munis
Independents
Healthcare


Refunded by DASNY Bonds by Client Type ($in millions)
Public Totals
2021 $1,529
2022 $2,805
Totals
2021 $2,108
2022 $3,163
Private Totals
2021 $579
2022 $358
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
$370
$654
$784
$1,526
$375
$621
$-
$4
$579
$263
$-
$95
NYS Agencies
SUNY
CUNY
Munis
Independents
Healthcare

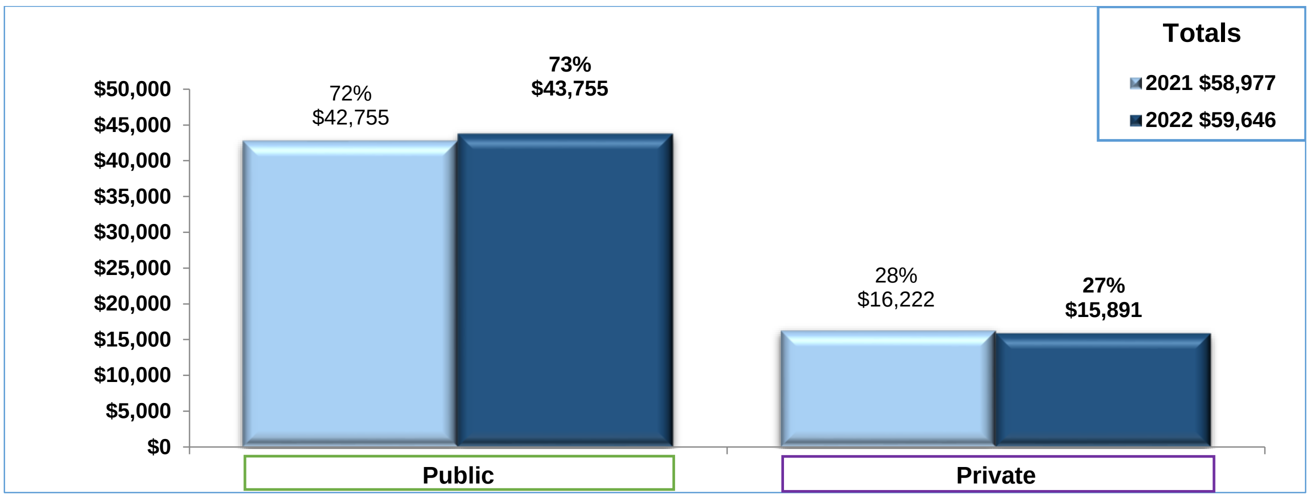
**Defeasances & Early Redemptions by Client Type ($in millions)**

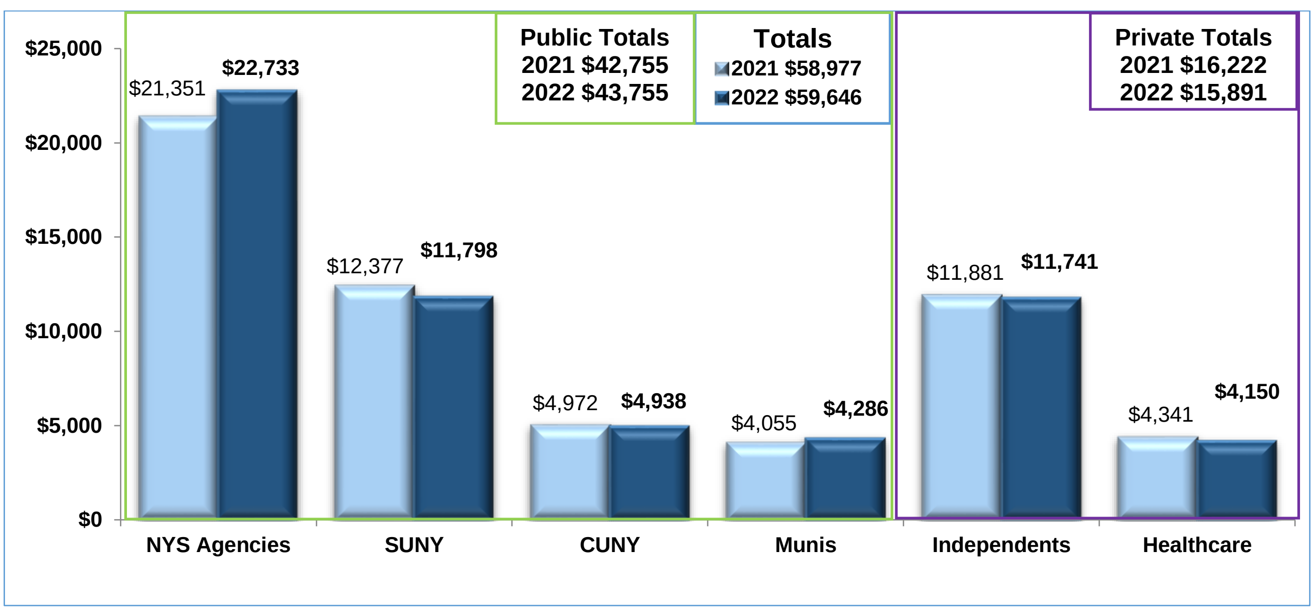



*Bonds and Notes Outstanding*

As shown on the following page, nearly three-quarters of DASNY's outstanding bonds and notes are related to its public clients, with nearly 80% of that portion related to NYS agencies and SUNY. During 2022, the outstanding balance increased $669 million (1%). (See note 7 to the basic financial statements for more detailed information.)

**Bonds and Notes Outstanding by Program as of March 31**
**($in millions)**

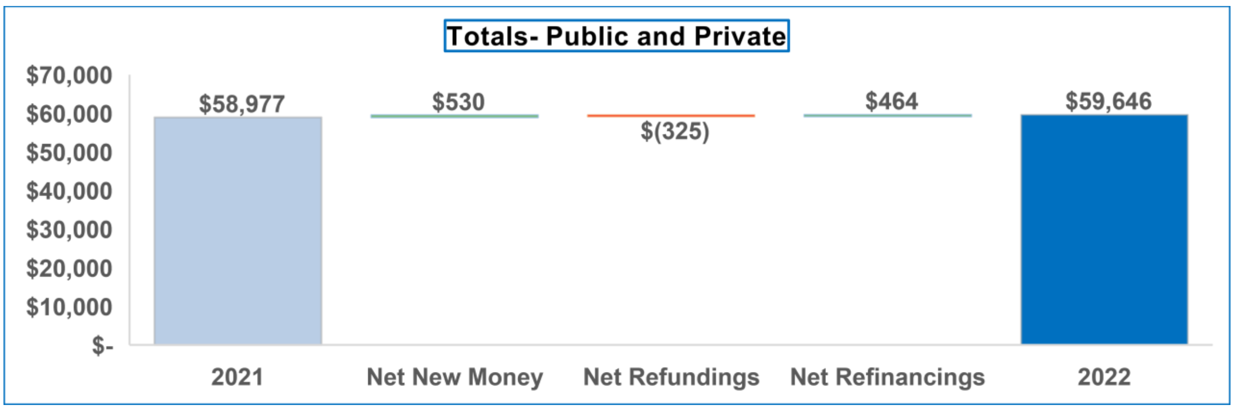


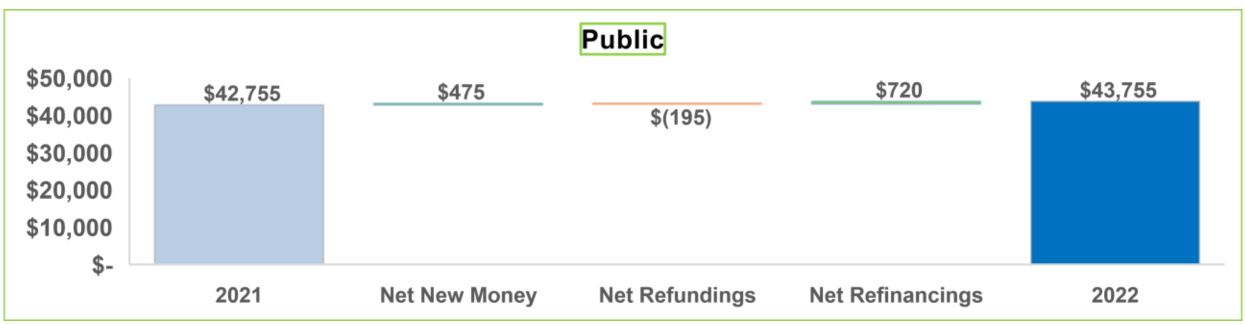



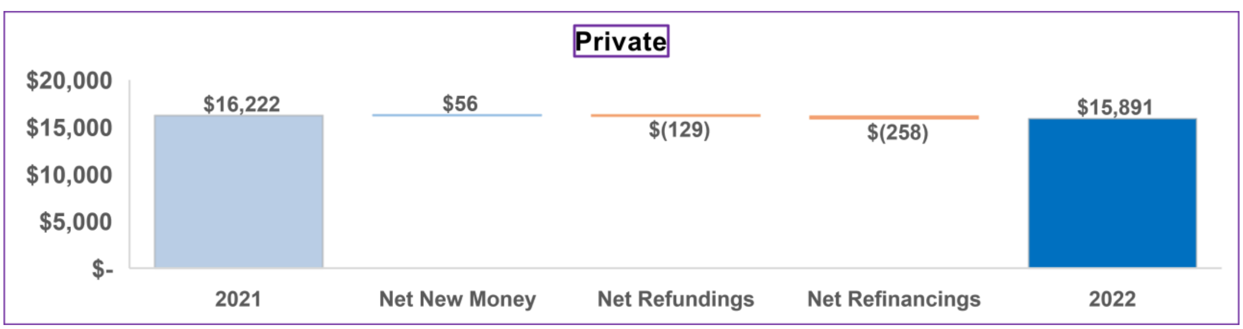

The following three charts show the rollforward of Bonds and Notes Outstanding as of March 31, 2021 and March 31, 2022. Net New Money is the net balance of New Money and Scheduled Redemptions, Net Refundings is the net balance of Refundings and Refunded by DASNY bonds, and Net Refinancings is the net balance of Refinancings and Defeasances & Early Redemptions.

As shown below, the increase in Bonds and Notes Outstanding as of March 31, 2022, was due primarily to the increases of Net New Money and Net Refinancings from public clients. Consistent with their proportionate share of the total bonds outstanding, public clients accounted for all of 2022's increase in outstanding debt, net of the 2% decrease in outstanding debt for private clients.

**Bonds and Notes Outstanding Rollforward as of March 31**
**($in millions)**



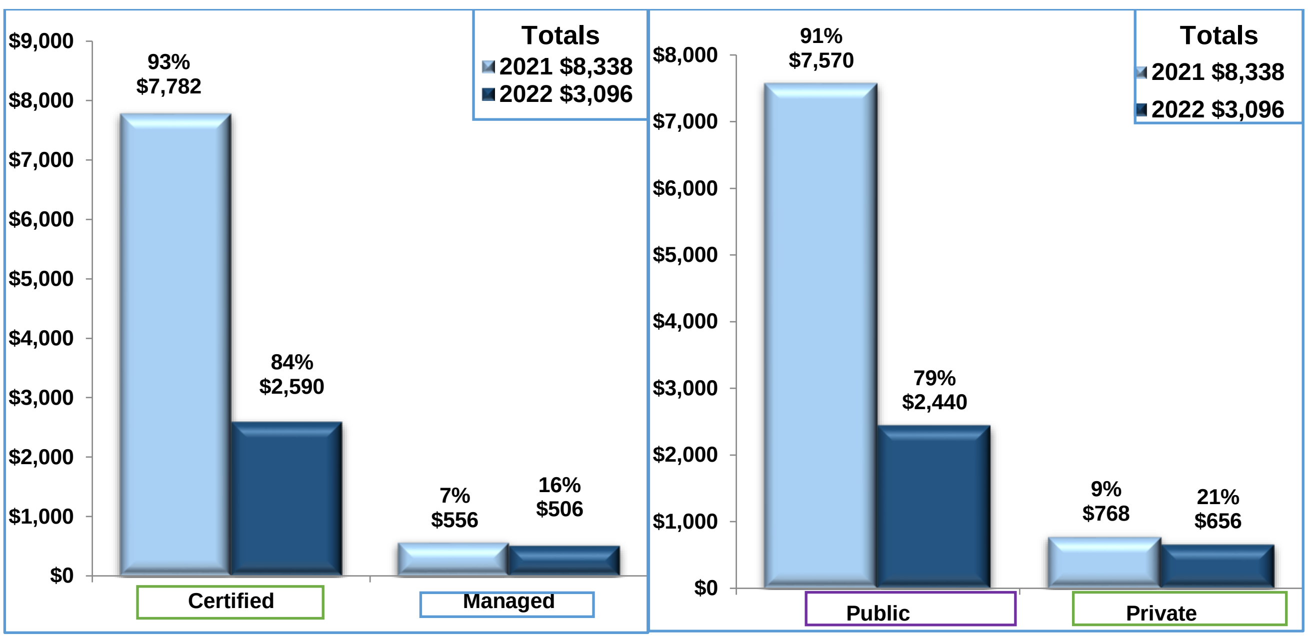



*Construction Management Activities*

As described in the Background section, DASNY's Construction Management activities consist of two types of disbursements – reimbursements to clients for projects they manage internally (Certified Construction Disbursements) and vendor payments for projects DASNY manages (DASNY-Managed Projects). As shown below, the majority (84% in 2022) come from reimbursements to clients for their internally managed projects. From a customer perspective, DASNY's Construction Management activities are concentrated (79% in 2022 and 91% 2021) with its public clients. During 2022, decreased requests for reimbursement from public clients for Certified Construction Disbursements of approximately $5.1 billion drove the overall decrease in activity between 2021 and 2022. This decrease combined with a $0.1 billion decrease in private clients increased the private clients' proportionate share of total construction expenditures to 21% in 2022 from 9% in 2021.

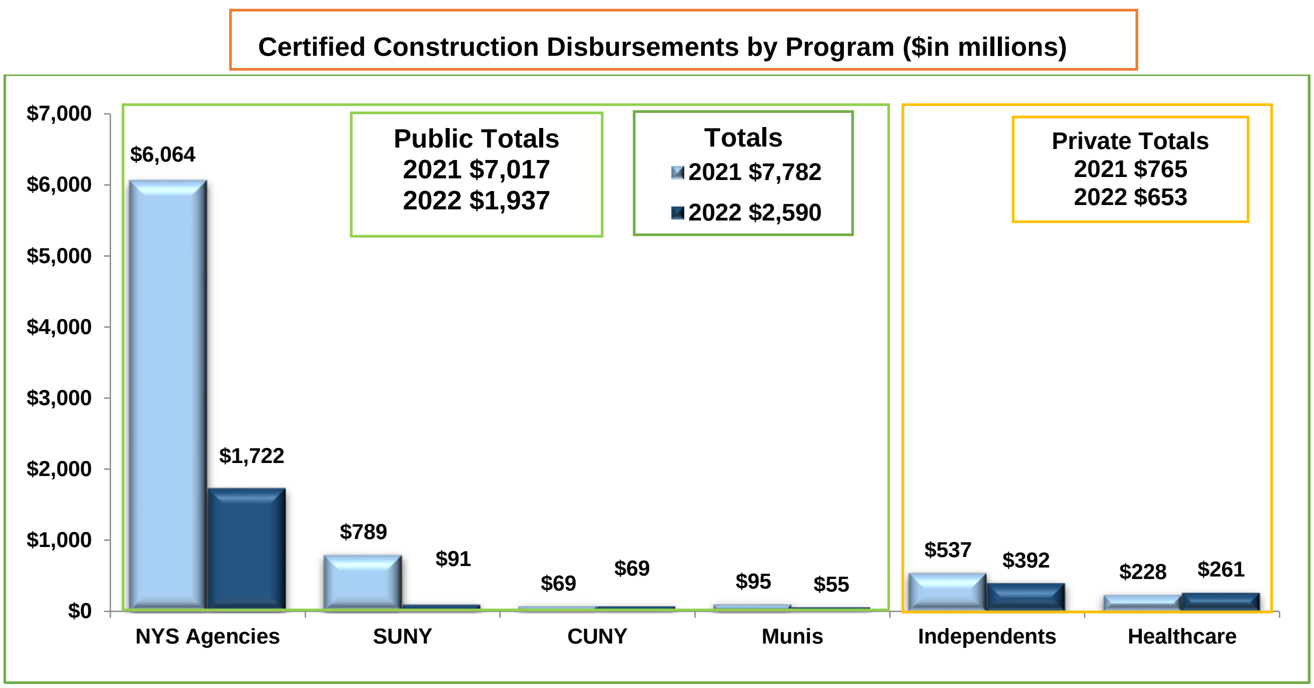
**Construction and Loan Disbursements* ($in millions)**




* Included in the captions "Construction, Loan and Other Disbursements" and "Project Funds Disbursed" on the Statement of Cash Flows. These captions also included loan payoffs, defeasance of non-DASNY debt, costs of issuance, and capitalized fees and expenses.

The charts below and on the next page provide additional detail regarding the two types of construction disbursements, by client type. They show that even within the public clients there is a clear concentration of business, with more than half of DASNY's Construction Management activities coming from NYS Agencies.

In 2022 and 2021, Certified Construction Disbursements for NYS Agencies and SUNY programs totaled $1.8 billion and $6.9 billion, respectively, accounting for approximately 70% and 88% of the Certified Disbursements in each year and over half of each year's total construction disbursements. The decrease of $5.1 billion was primarily due to increased disbursements made in the prior year under the two State PIT Notes issued for working capital purposes to assist the State through potential cashflow needs, facilities which were not used in 2022.

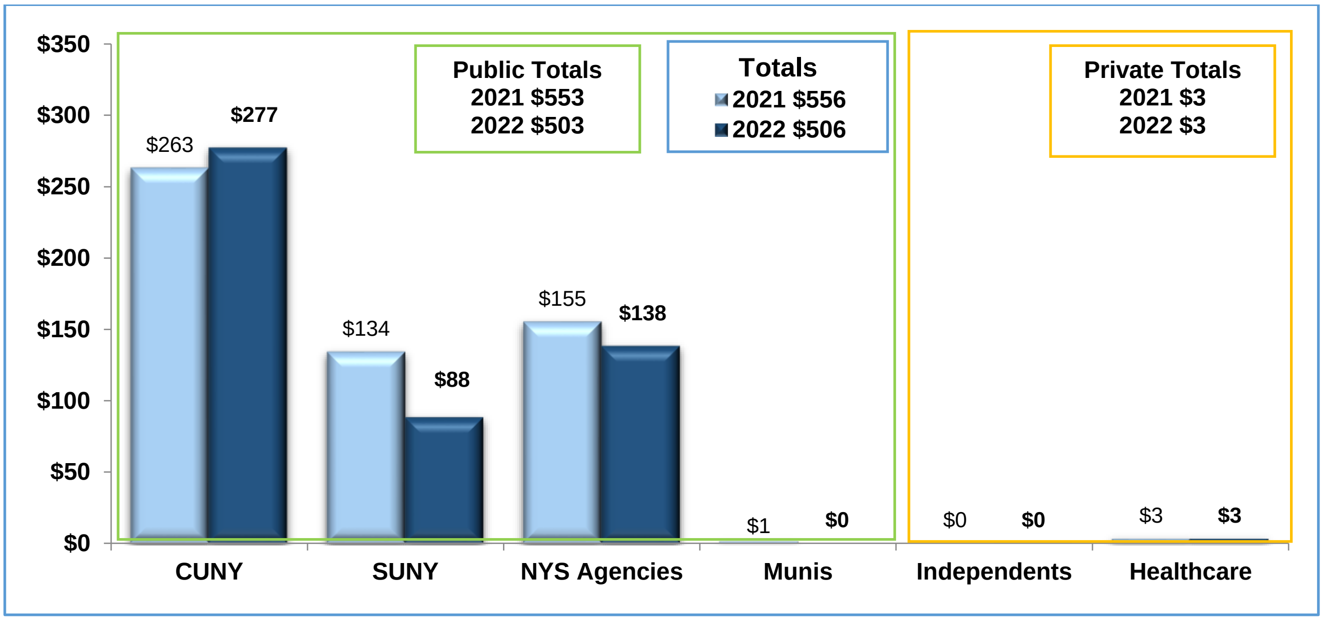



While the DASNY-Managed Projects represent only 16% of the total construction disbursements, this activity is significant in terms of DASNY's operations. At any point in time, DASNY is actively managing 600-1,000 construction projects with the personnel needed to support this work accounting for more than 81% of DASNY's operating expenses. DASNY generates fees from these clients that are generally equal to the allocable amount of DASNY operating expenses attributable to the construction services provided.



(Continued)

**Construction Disbursements for DASNY- Managed Projects by Program ($in millions)**

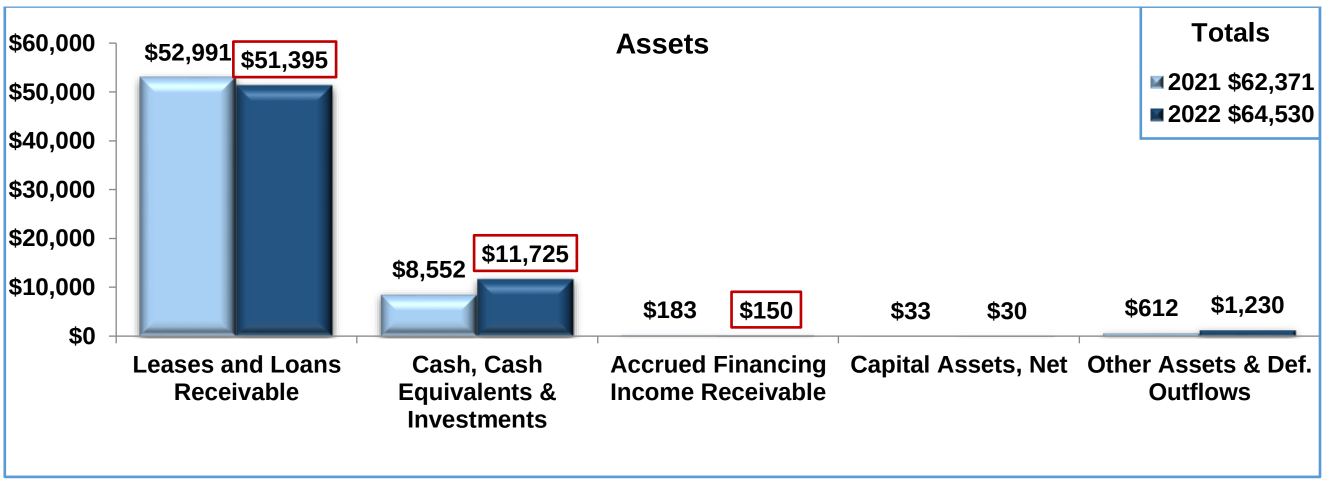


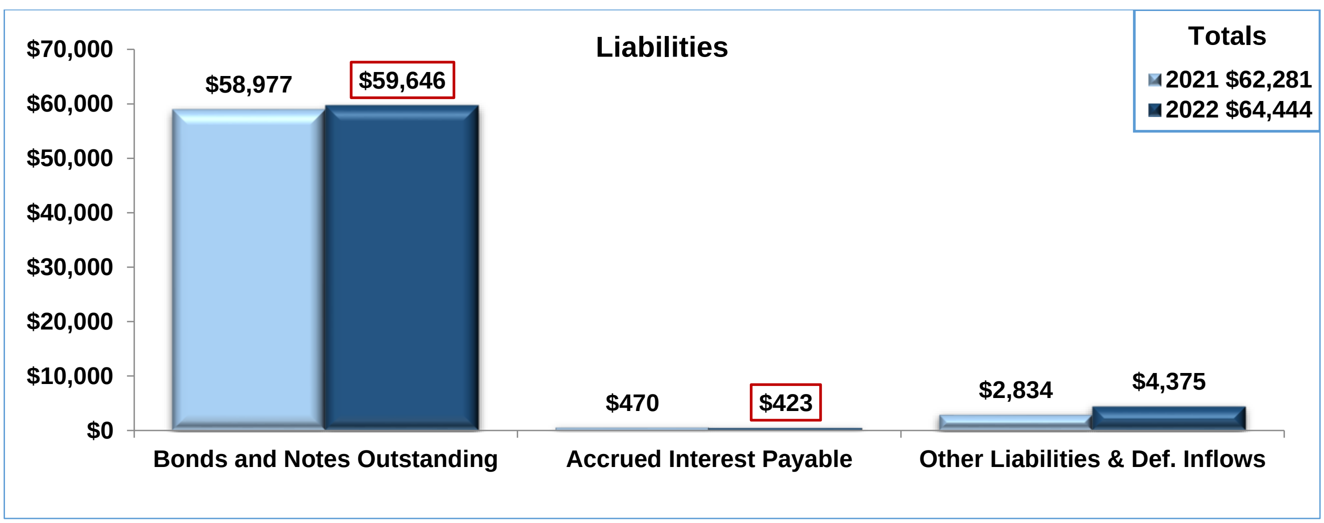
**Financial Analysis**

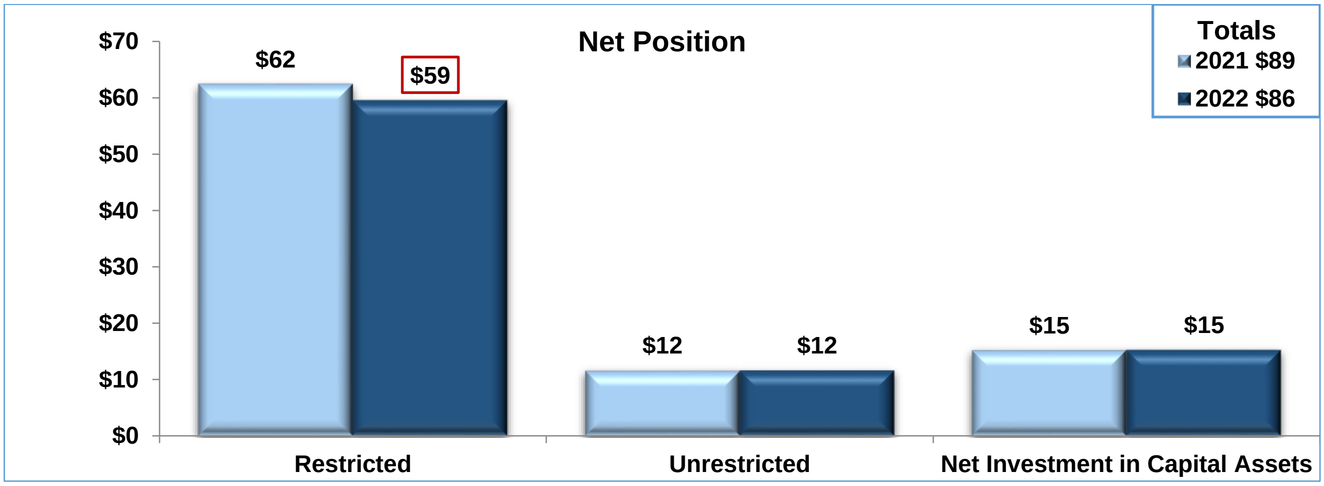
*Statement of Net Position*

As shown by the red boxes in the charts below, and as described in the Background section, DASNY's conduit debt comprises the majority of DASNY's Statement of Net Position, making up nearly all of the Assets (the majority of the cash, cash equivalents and investments are related to conduit debt) and Liabilities and more than two-thirds of the Net Position balances.

**Condensed Summary of Net Position as of March 31 ($in millions)**






**Assets and Deferred Outflows of Resources**

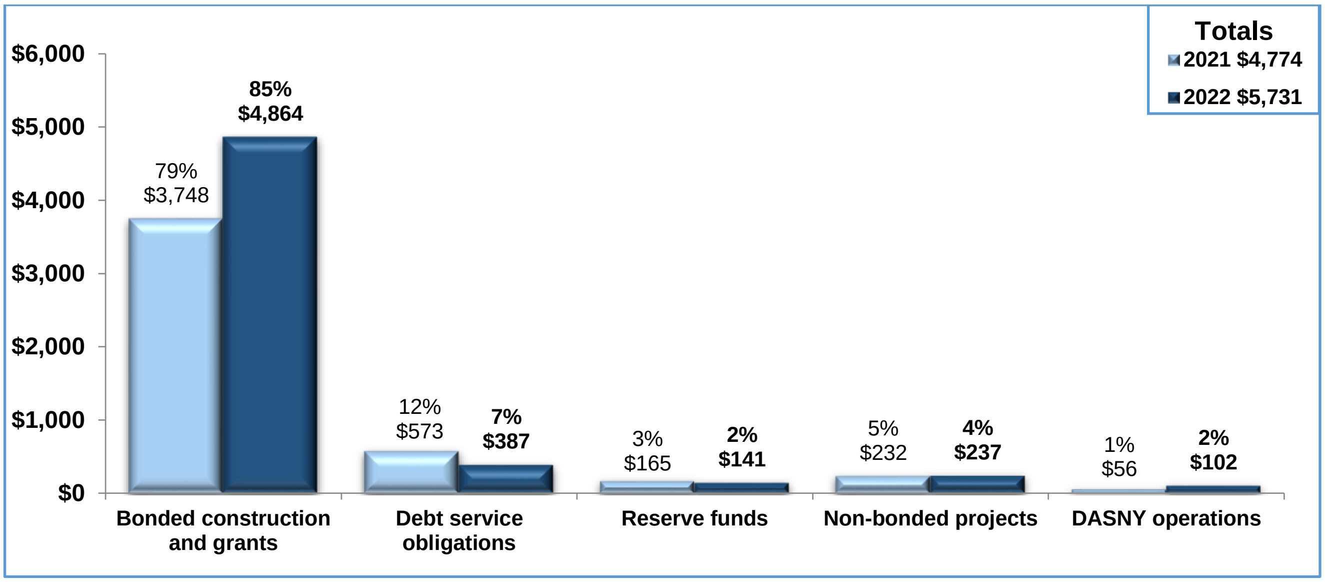
DASNY's assets are comprised primarily of (1) Leases and Loans Receivable, and (2) Cash, Cash Equivalents and Investments. The balance of DASNY's assets include (1) Accrued Financing Income Receivable, (2) DASNY's capital assets and those of its subsidiary Atlantic Avenue Holding Corporation, and (3) Other Assets.

Leases and Loans Receivable represents accumulated construction costs for each project, net of principal repayments from clients, client contributions, and investment earnings on construction accounts. When a project is completed, the receivable will equal the bonds or notes outstanding net of any bond proceeds deposited in reserve accounts. Potential fluctuations result primarily from the timing of disbursements for construction, loan, and other disbursements versus receipts of principal on leases and loans receivable, project contributions and income on investments in construction accounts. (See note 4 to the financial statements for more detailed information.)

Cash, Cash Equivalents and Investments primarily represent monies held for construction, reserves, or for payment of debt service on outstanding bonds and notes. Such monies are held in trust by a trustee bank for the benefit of bondholders. DASNY generally records investments at fair value. Fluctuations result primarily from differences between the timing of receipt of proceeds from new money bond issues and debt service prepayments and the disbursement of those proceeds for construction, payment of debt service on outstanding bonds and notes and other activities. The balance increased approximately $3 billion or 37% during 2022 primarily due to the prepayment of debt service by the State at the end of the fiscal year.

As highlighted in the chart below, DASNY's investment portfolio consists primarily of (over 90%) funds for (1) construction projects and grant programs financed by DASNY-issued bonds, and (2) debt service obligations. (See note 3 to the basic financial statements for more detailed information.) Investment balances increased by approximately $950 million (20%) during 2022 primarily due to new money bond issuance activity.

**Investment Balances by Purpose as of March 31* ($in millions)**




* An additional $5.8 billion and $3.7 billion of money market funds as of March 31, 2022 and 2021, respectively, managed by DASNY is reflected in the Statement of Net Position as a component of Cash and Cash Equivalents.

Accrued Financing Income Receivable represents the amount of interest on bonds and notes due from clients since the last client loan repayment date through DASNY's fiscal year end. Fluctuations result from accrued interest payable on new bond issues, changes in the balance of capital appreciation bonds, the conversion of variable rate bonds to fixed rate bonds and changes in the interest rate environment.

Capital assets represent the capital assets of a DASNY subsidiary (Atlantic Avenue Holding Corporation) and DASNY's Albany headquarters building (DASNY's Buffalo headquarters building is fully depreciated). Capital assets of DASNY's other subsidiary (NGHP Holding Corporation) are not reflected within this balance as the terms of this lease meet the criteria of a direct financing lease, and accordingly, is included in Other Receivables. DASNY's interest in capital assets financed through the issuance of bonds and notes on behalf of clients is recorded on the Statement of Net Position as a component of Leases and Loans Receivable. (See note 5 to the basic financial statements for more detailed information.)

Other Assets and Deferred Outflows of Resources include project funds receivables, accrued interest receivable on investments, deferred outflows of resources related to pensions and postemployment benefits, and other receivables. The balance increased approximately $618 million or 101% primarily due to a $526 million increase in Project funds receivable related to construction costs and grant expenditures funded by the State in the first instance and waiting to be reimbursed with bond or note proceeds.

### Liabilities and Deferred Inflows of Resources

DASNY's Liabilities and Deferred Inflows of Resources are comprised primarily of Bonds and Notes Outstanding. The balance of DASNY's liabilities include (1) Accrued Interest Payable, and (2) Other Liabilities and Deferred Inflows of Resources.

Accrued Interest Payable represents interest due, but not yet paid, to the holders of outstanding bonds and notes from the last interest payment date through DASNY's fiscal year-end. Fluctuations result from accrued interest payable on new bond issues offset by a net decrease in the balance of capital appreciation bonds outstanding due to scheduled maturities as well as changes in the interest rate environment.

Other Liabilities and Deferred Inflows of Resources include accounts payable, amounts due to NYS, unearned financing income, amounts held for institutions, deferred inflows of resources related to pensions, and unearned fees. The balance increased approximately $1.5 billion or 54% primarily due to a $857 million increase in Accounts payable and accrued expenses and a $592 million increase in Due to New York State for amounts advanced from the State's short term investment pool awaiting reimbursement from bond or note proceeds.

### Net Position

DASNY's net position consists primarily of Restricted and Unrestricted Net Positions, as well as its Net Investment in Capital Assets.

Restricted Net Position relates to activity in the bonds and note accounts and is the largest component of DASNY's Net Position, accounting for more than two-thirds of the total.

Unrestricted Net Position relates to DASNY's operating activities and accounts for 13% of DASNY's Net Position. The related assets include unrestricted cash and investments, including monies available to assist healthcare clients and program development accounts.

Net Investment in Capital Assets primarily relates to DASNY's headquarters building and related furniture and equipment.

### Statement of Net Position – 2022 Activity

Overall DASNY's Statement of Net Position remained relatively stable in 2022. Increases in assets and liabilities ($2.2 billion each) were driven by the net increase in bonds outstanding (issuances of $9 billion less retirements of $8.3 billion), related Leases and Loans Receivable, and Cash and Cash Equivalents. Restricted Net Position remained relatively flat in 2022 compared with 2021.



(Continued)

*Statement of Revenues, Expenses, and Changes in Net Position*

As shown on the charts on the next page, the majority of DASNY's revenues and expenses relates to activity associated with the bonds and notes DASNY issues rather than its own operations. The revenues generated in restricted bond and note accounts accumulate until needed. In some years, revenues exceed expenses in restricted bond and note accounts, usually as a result of income on investments and contributions of cash and investments. In other years, expenses exceed revenues in restricted bond and note accounts as accumulated revenues are utilized, usually for payment of debt service, redemption of bonds and notes or transfers to escrow in connection with refundings.

The activity associated with the bonds and notes DASNY issues is reflected in the following categories:

1. *Financing Income* – interest payments from clients

2. *Income on Investments* – primarily income on restricted bond and note accounts other than construction accounts which is reflected in the Statement of Net Position as a component of Leases and Loans Receivable since the earnings are generally used for project costs; amounts also reflect unrealized gains and losses as a result of market value fluctuations.

3. *Other Revenues* – primarily income on investments transferred from construction accounts and contributions of cash and investments.

4. *Interest on Bonds and Notes* – interest payments to bondholders

5. *Other Expenses* – primarily transfers of accumulated Restricted Net Position and current year revenues to escrow in connection with refundings, amounts returned to institutions, reductions of leases and loans receivable due to redemption of bonds, arbitrage expense, program expenses and administrative fees paid from restricted accounts.

Financing Income and Income on Investments on certain restricted bond and note accounts are used to pay interest on bonds and notes.

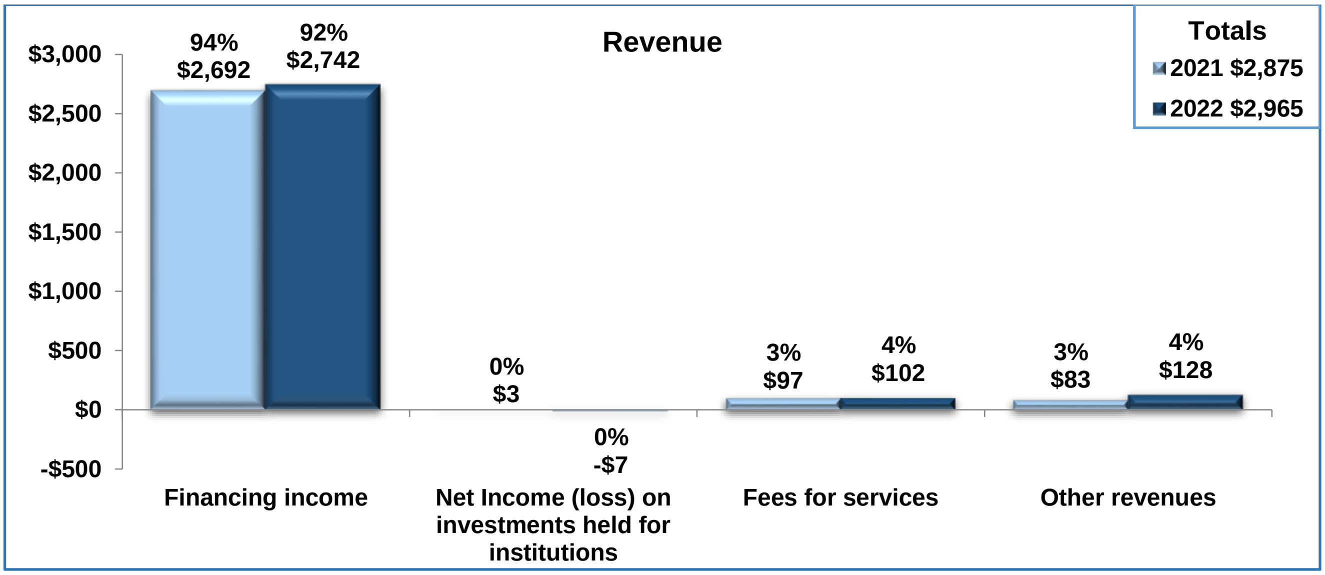
Fluctuations in Other Revenues reflect the relative amounts of contributions deposited to meet reserve requirements along with investment income available in construction accounts and transferred to other restricted bond and note accounts.

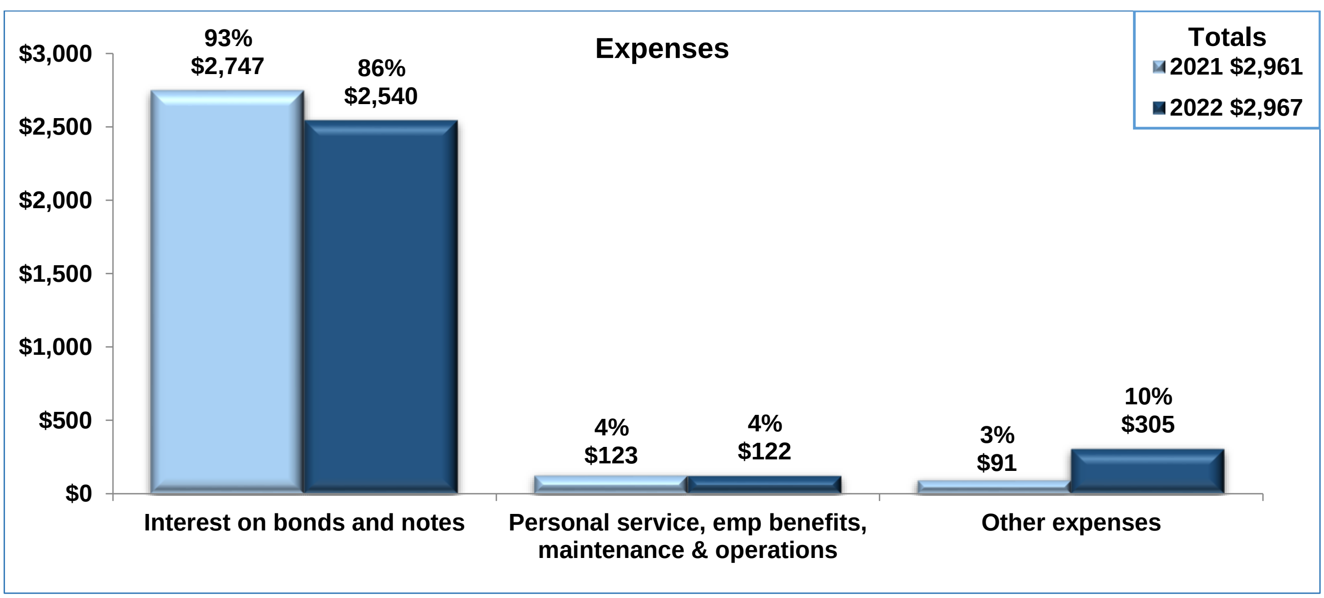
DASNY's operating activity is primarily reflected in the following categories:

6. *Fees for Services* – financing fees and annual administrative fees related to ongoing bond management and construction services; and

7. *Costs of Operations* (Personal Service, Employee Benefits, Maintenance and Operations) – primarily for employee service and related benefits and taxes

**Condensed Summary of Revenue and Expenses as of March 31 ($in millions)**



**Statement of Revenues, Expenses, and Changes in Net Position – 2022 Activity**

Financing Income and Interest on Bonds and Notes remained relatively stable during 2022, with a slight decrease in interest on bonds primarily due to the expiration of line of credit facilities on behalf of the State.

Income on Investments held for institutions decreased $10 million, or 314% primarily due to changes in market value related to increases in interest rates at fiscal year end, resulting in a net loss of $7 million.

Fees for Services of $102 million increased $5 million (5%) primarily due to an increase in construction management activity.

Other Revenues increased $45 million, or 54% due to an increase of $40 million in Contributions of Cash and Investments and a $5 million increase in Other Revenue.

Personal Service and Employee Benefits, decreased by $4 million (4%) during 2022, primarily due to lower pension expense due to the plan outperforming expected earnings on pension plan investments, offset by a reduction in the discount rates used to calculate pension liability and Postemployment Benefits Other Than Pensions (OPEB) expense.

Maintenance and Operations Expenses increased $1.8 million (7%) in 2022, primarily due to higher insurance premiums.

Other Expenses increased $214 million, or 236% primarily due to an increase of $21 million in Reduction of leases and loans receivable due to redemption of bonds and a $263 million increase in Transfers to escrow in connection with bond refundings and defeasances.

**Request for Information**

DASNY's corporate headquarters is located at 515 Broadway, Albany, New York 12207-2964. The main telephone number is 518-257-3000. DASNY maintains an internet website which can be accessed from the following address www.dasny.org.

All required secondary market disclosures for DASNY's private not for profit clients are done through Digital Assurance Certification LLC (DAC) which can be accessed through the following website: www.dacbond.com. All required secondary market disclosures for DASNY's public clients are available on the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) website which can be accessed through the following website: www.emma.msrb.org. DASNY also provides additional information on its website at www.dasny.org. In addition, while certain information pertaining to DASNY's debt issuances for certain of DASNY's public clients is available on the DAC website, DASNY, the bond trustee and the applicable client each have responsibilities with respect to the filing of material event notices and providing updated financial and operational data with EMMA.

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**
(A Component Unit of the State of New York)

Statement of Net Position

March 31, 2022

(in thousands)

| | |
|---|---|
| **Assets and Deferred Outflows of Resources** | |
| Current assets: | |
| Cash and cash equivalents (note 3) | $ 5,994,447 |
| Investments (note 3) | 584,973 |
| Leases and loans receivable, net (note 4) | 2,264,615 |
| Project funds receivable | 788,671 |
| Accrued financing income receivable | 150,212 |
| Accrued interest receivable on investments | 10,220 |
| Other receivables (note 2g) | 59,238 |
| Total current assets | 9,852,376 |
| Investments (note 3) | 5,145,956 |
| Leases and loans receivable, net (note 4) | 49,130,362 |
| Project funds receivable | 73,585 |
| Other receivables (notes 2g and 12) | 193,412 |
| Capital assets, net (note 5) | 30,396 |
| Total assets | 64,426,087 |
| Deferred outflows of resources (note 2i, 11 and 12) | 104,478 |
| Total assets and deferred outflows of resources | $ 64,530,565 |
| **Liabilities and Deferred Inflows of Resources** | |
| Current liabilities: | |
| Accounts payable and accrued expenses | $ 1,073,609 |
| Bonds and notes outstanding (notes 6 and 7) | 2,932,512 |
| Accrued interest payable | 422,781 |
| Unearned financing income | 621,624 |
| Amounts held for institutions (note 6) | 196,628 |
| Due to New York State (note 6) | 1,573,950 |
| Current portion of other long-term liabilities (note 6) | 4,406 |
| Unearned fees for services | 55,769 |
| Total current liabilities | 6,881,279 |
| Bonds and notes outstanding (notes 6 and 7) | 56,713,676 |
| Amounts held for institutions (note 6) | 447,963 |
| Due to New York State (note 6) | 12,638 |
| Other long-term liabilities (note 6) | 335,412 |
| Total liabilities | 64,390,968 |
| Deferred inflows of resources (note 2i, 11 and 12) | 53,148 |
| Total liabilities and deferred inflows of resources | $ 64,444,116 |
| **Net Position** | |
| Net investment in capital assets | $ 15,219 |
| Restricted | 59,626 |
| Unrestricted (note 13) | 11,604 |
| Total net position | $ 86,449 |

See accompanying notes to basic financial statements.

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**
(A Component Unit of the State of New York)

Statement of Revenues, Expenses, and Changes in Net Position

Year ended March 31, 2022

(in thousands)

| | |
|---|---|
| Operating revenues: | |
| Financing income | $ 2,742,015 |
| Net loss on investments held for institutions | (7,295) |
| Fees for services | 102,235 |
| Contributions of cash and investments | 42,936 |
| Other | 84,834 |
| Total operating revenues | 2,964,725 |
| Operating expenses: | |
| Interest on bonds and notes | 2,540,451 |
| Amounts returned to institutions | 5,190 |
| Reduction of leases and loans receivable due to redemption of bonds | 25,930 |
| Personal service and employee benefits | 93,793 |
| Maintenance and operations | 27,887 |
| Transfers to escrow | 262,845 |
| Other | 11,063 |
| Total operating expenses | 2,967,159 |
| Operating loss | (2,434) |
| Nonoperating revenues: | |
| Net loss on investments held for DASNY | (190) |
| Decrease in net position | (2,624) |
| Net position, beginning of year | 89,073 |
| Net position, end of year | $ 86,449 |

See accompanying notes to basic financial statements.

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**

(A Component Unit of the State of New York)

Statement of Cash Flows

Year ended March 31, 2022

(in thousands)

| | |
|---|---|
| Cash flows from operating activities: | |
| Fees for services | $ 101,463 |
| Amounts received from institutions | 43,424 |
| Project funds received | 747,315 |
| Dormitory rent receipts | 514,880 |
| Permit and patient income receipts | 1,792,297 |
| Special purpose healthcare loan receipts | 20,718 |
| Other receipts | 16,829 |
| Personal service and employee benefits | (77,382) |
| Maintenance and operations | (30,379) |
| Permit and patient income transferred to New York State | (1,729,324) |
| Project funds disbursed | (716,996) |
| Dormitory rent disbursements | (505,972) |
| Amounts returned to institutions | (4,733) |
| Special purpose healthcare loan disbursements | (24,380) |
| Other disbursements | (12,081) |
| Net cash provided by operating activities | 135,679 |
| Cash flows from noncapital financing activities: | |
| Proceeds from the issuance of bonds and notes | 9,909,910 |
| Amounts transferred to escrow to defease debt | (4,670,538) |
| Principal repayments of bonds and notes | (3,914,210) |
| Interest paid on bonds and notes | (2,618,079) |
| Net cash used in noncapital financing activities | (1,292,917) |
| Cash flows from capital financing activities: | |
| Acquisition of property and equipment | (1,081) |
| Net cash used in capital financing activities | (1,081) |
| Cash flows from investing activities: | |
| Purchases of investments | (19,436,447) |
| Proceeds from sales and maturities of investments | 18,411,166 |
| Income on investments | 50,166 |
| Construction, loan, and other disbursements | (5,558,308) |
| Principal receipts on leases and loans receivable | 7,231,682 |
| Financing income | 2,676,401 |
| Net cash provided by investing activities | 3,374,660 |
| Net increase in cash and cash equivalents | 2,216,341 |
| Cash and cash equivalents, beginning of year | 3,778,106 |
| Cash and cash equivalents, end of year | $ 5,994,447 |

See accompanying notes to basic financial statements.

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**
(A Component Unit of the State of New York)

Statement of Cash Flows

Year ended March 31, 2022

(in thousands)

| | | |
|---|---|---|
| Operating loss | $ | (2,434) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation expense | | 2,256 |
| Interest on bonds and notes | | 2,540,451 |
| Loss on investments held for institutions | | 7,295 |
| Financing income | | (2,742,015) |
| Reduction of leases and loans receivable due to redemption of bonds | | 25,930 |
| Investment transfers | | (12) |
| Amounts transferred to escrow to defease debt | | 262,845 |
| Assets received from escrow | | (2,997) |
| Other expenses | | 1,711 |
| Change in assets and liabilities: | | |
| Increase in leases and loans receivable | | (45,081) |
| Increase in deferred outflows of resources | | (44,451) |
| Increase in project funds receivable | | (527,788) |
| Increase in other receivables | | (39,420) |
| Increase in accounts payable and accrued expenses and other long-term liabilities, net of construction funds | | 34,440 |
| Increase in due to New York State | | 495,579 |
| Increase in amounts held for institutions | | 126,125 |
| Increase in unearned fees for services | | 4,345 |
| Increase in deferred inflows of resources | | 38,900 |
| Total adjustments | | 138,113 |
| Net cash provided by operating activities | $ | 135,679 |

See accompanying notes to basic financial statements.

## (1) DASNY

The Dormitory Authority of the State of New York (DASNY) is a public benefit corporation established in 1944 and is governed by Title 4 and 4B, Article 8 of the Public Authorities Law of the State of New York. DASNY is an independent corporate agency with governmental functions delegated to it by the State of New York (the State). It is not a municipal corporation. DASNY employees are not employees of the State or of a civil service division thereof.

DASNY was established by the State as a public benefit corporation for the purpose of financing, designing, constructing, purchasing, reconstructing, and/or rehabilitating buildings (projects), including the acquisition of equipment, for a variety of public and private institutions. The private institutions for which DASNY is authorized to provide these services consist of colleges and universities, hospitals, nursing homes and various other entities that are specifically enumerated in DASNY's enabling legislation. The public institutions for which DASNY is authorized to provide these services include various agencies of the State, the City University of the City of New York (the City), the State University of the State of New York (SUNY), local school districts, cities and counties with respect to certain court and municipal facilities and for various other purposes as authorized by law. DASNY has also established lease financing programs that are used to finance the acquisition of equipment for various clients. DASNY is also authorized by statute to finance directly or indirectly certain student loans and on behalf of the State, to fund and administer grants to various public and private entities. To accomplish its purpose, DASNY has the power to borrow money and to issue negotiable bonds or notes, in conformity with the applicable provisions of the Uniform Commercial Code, and to provide for the rights of the holders of such debt instruments. DASNY's obligations are not a debt of the State. All bonds and notes issued by DASNY are subject to the approval of the Public Authorities Control Board of the State.

DASNY is authorized pursuant to Section 1678 (25) of the Public Authorities Law to establish subsidiaries for the purpose of limiting its potential liability when exercising its powers and duties in pursuit of remedies against a borrower that has defaulted in its obligations under a loan agreement or mortgage with DASNY.

On March 17, 2011, NGHP Holding Corporation (NGHP) was established as a subsidiary of DASNY in the form of a public benefit corporation as a result of North General Hospital's default under its loan agreements and mortgages with DASNY. North General Hospital filed a petition in bankruptcy and NGHP acquired certain real property assets subject to certain liabilities of North General Hospital on June 30, 2011 in accordance with the plan of liquidation approved by the Bankruptcy Court. NGHP is included in these basic financial statements as a blended component unit as DASNY's governing board serves as the governing board of NGHP and DASNY management has operational responsibility for NGHP.

On November 20, 2013, Atlantic Avenue Healthcare Property Holding Corporation (Atlantic Avenue) was established as a subsidiary of DASNY in the form of a public benefit corporation as a result of Interfaith Medical Center's (Interfaith) default under its loan agreements and mortgages with DASNY. Interfaith Medical Center filed a petition in bankruptcy and Atlantic Avenue acquired certain real property assets subject to certain liabilities of Interfaith Medical Center on June 19, 2014 in accordance with the plan of reorganization approved by the Bankruptcy Court. Atlantic Avenue is included in these basic financial statements as a blended component unit as DASNY's governing board serves as the governing board of Atlantic Avenue and DASNY management has operational responsibility for Atlantic Avenue. In December 2020, Interfaith and Kingsbrook Jewish Medical Center merged into Brookdale Hospital Medical

Center. As a result of the merger, Interfaith's existing loan agreements and mortgages are being assigned and assumed by Brookdale Hospital Medical Center.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended, DASNY is included in the financial statements of the State as a discretely presented component unit.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Reporting*

DASNY's basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles for governments as prescribed by the GASB, which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

During fiscal year 2022, DASNY adopted GASB Statement No. 93, *Replacement of Interbank Offered Rates* (GASB Statement No. 93). As a result of global reference rate reform, LIBOR was expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of GASB Statement No. 93 is to address accounting and financial reporting implications that result from the replacement of interbank offered rates. GASB issued Statement No. 99 *Omnibus* (GASB Statement No. 99) in April 2022 which under paragraph 26 extended the period during which LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt. Adoption of GASB Statement No. 93 and GASB Statement No. 99 paragraph 26 had no impact on DASNY's net position.

### *(b) Basis of Accounting*

DASNY follows the economic resources measurement focus and the accrual basis of accounting for revenues and expenses whereby revenues are recognized when earned and expenses are recognized when obligations are incurred.

The basic financial statements are a compilation of approximately 2,000 separate self balancing accounts, each related to either an individual series of outstanding bonds and notes or an individual operating account.

DASNY has elected the option under GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, to report conduit debt in its basic financial statements, other than certain tax exempt equipment leases (see note 7(c)). DASNY's more significant accounting policies are described below.

DASNY's primary operating revenue is financing income, representing interest on indebtedness, received from institutions. DASNY also recognizes as operating revenue the income on investments held for institutions, except interest earned on construction account investments. Income on investments in construction accounts is recorded as a reduction to leases and loans receivable since the earnings are generally used for project costs. Fees charged to institutions for services and certain remaining bond proceeds transferred from refunded issues are also recognized as operating revenue. Operating expenses for DASNY include the interest expense on bonds and notes, reduction of leases and loans receivable, which represents bonds redeemed with earnings, administrative expenses and amounts returned to institutions.

The majority of DASNY's revenues and expenses does not relate to operations, rather, it relates to activity in the restricted debt accounts of the individual series of bonds and notes. The revenues generated in restricted debt accounts accumulate until needed. In some years, revenues exceed expenses in restricted debt accounts, usually as a result of income on investments and contributions of cash and investments. In other years, expenses exceed revenues in restricted debt accounts as accumulated revenues are utilized, usually for payment of debt service, redemption of bonds and notes, transfers to escrow in connection with refundings or amounts returned to institutions. Restricted net position remains in each of the individual bond or note issues and accrues to the benefit of the client institutions. At final maturity, the restricted net position of an individual bond or note issue will be $0.

Any revenues and expenses that do not support DASNY's primary business functions are reported as nonoperating revenues and expenses.

***(c) Cash and Cash Equivalents***

Cash and cash equivalents include cash on deposit and money market funds.

***(d) Investments***

Investments are recorded at fair value, other than certificates of deposit and certificates of indebtedness, which are recorded at cost. Changes in fair value are included in Income on Investments Held for Institutions and nonoperating Income on Investments Held for DASNY in the Statement of Revenues, Expenses, and Changes in Net Position, except for changes in fair value related to investments in the construction accounts, as described in note 2(e).

***(e) Leases and Loans Receivable***

Projects are financed primarily under either a lease (where the lease payments are pledged to the trustee for the benefit of the bondholders), a loan (where the loan payments are pledged to the trustee for the benefit of the bondholders), or other agreements, including service contracts and financing agreements with the State and municipalities, which provide for the payment of debt service dependent upon annual appropriation, or for which specific revenues have been pledged in support of a collateralized borrowing. Additionally, in certain instances, revenues of the institutions have been pledged under the terms of the respective bond resolutions and certain restricted amounts are required to be maintained with the trustee in accordance with such resolutions.

Leases and Loans Receivable represents accumulated construction costs for projects financed through bond and note issues, net of principal repayments received from institutions, institution contributions, and income on investments on construction accounts. Income on investments, including changes in fair value, on construction accounts is recorded as a reduction to this receivable since the earnings are generally used for project costs. The disbursement of project costs financed with bond proceeds is recorded as an increase to this receivable. The principal portion of debt service received from institutions is recorded as a reduction to this receivable. Also included in this receivable are bond issuance costs and premium or discount on the debt issued.



(Continued)

Interest paid from bond proceeds during the construction period, capitalized interest, is recorded as an increase to the receivables. Capitalized interest was approximately $20 million for the fiscal year ended March 31, 2022. Income (loss) earned on construction fund investments during the construction period is recorded as a reduction (increase) of the receivables. Construction fund investment income (loss) was approximately ($3) million for the fiscal year ended March 31, 2022.

Leases and Loans Receivable, together with amounts held in construction accounts and amounts deposited in certain other restricted accounts, are generally equal to the face value of the associated bonds or notes outstanding. The effective interest rate on the receivables is generally imputed based on the effective rate on the bond or note, and the related income is included in Financing Income in the Statement of Revenues, Expenses, and Changes in Net Position.

DASNY maintains various asset management monitoring systems to evaluate the ability of institutions to meet their debt service payments and establishes loan loss reserves as necessary. All bond and note issues are special obligations of DASNY and many include credit enhancements to ensure payment of debt service to the bondholders (see note 7).

### *(f) Project Funds Receivable*

Project Funds Receivable includes amounts due from institutions for projects funded from other than available bond or note proceeds. The amounts reported in this asset category also include construction costs for certain mental health, the City University of New York, and SUNY Upstate Community Colleges projects and grants paid by the State in the first instance which will subsequently be funded from bond or note proceeds or other State appropriations and reimbursed to the State. The related liability for these costs is reported as Due to New York State in the Statement of Net Position. Additionally, the cost of retainage on construction contracts that will be funded in the future by institution contributions or additional bond or note proceeds is included in Project Funds Receivable.

### *(g) Other Receivables*

Other Receivables consist of amounts due from institutions for various healthcare loans, DASNY administrative fees, other postemployment benefit obligations and accrued leave credits allocable to public clients, prepaid expenses, and bond issuance costs and project costs advanced from DASNY operating funds. Also included in Other Receivables are amounts due to NGHP from New York City Health and Hospitals Corporation related to a building lease and a note due to Atlantic Avenue from Brookdale Hospital Medical Center. At March 31, 2022, DASNY recorded $277 million as an allowance for uncollectible accounts primarily related to advances made to assist healthcare institutions which, for the most part, do not impact the Statement of Revenues, Expenses, and Changes in Net Position and for which there are no associated bonds.

### *(h) Capital Assets*

DASNY's capital assets include land, buildings and equipment. Land is reported at its original acquisition cost. Buildings and equipment are stated at cost, less accumulated depreciation determined using the straight line method. DASNY buildings are depreciated over 25 years, building improvements and renovations are depreciated over the remaining life of the building or lease, furniture and equipment are depreciated over 7 to 10 years, financial management system equipment, software and related costs are depreciated over 10 years, and other computer equipment and software are depreciated over 5 years. Atlantic Avenue's capital assets acquired from Interfaith Medical Center include land and buildings. Land is reported at its original acquisition value. Buildings are stated at cost less accumulated depreciation using the straight line method. Buildings will be depreciated over their remaining lives which range from 4 to 19 years (see note 5).

***(i) Deferred Outflows and Inflows of Resources***

Deferred outflows of resources are defined as a consumption of net assets by DASNY that is applicable to a future reporting period. Deferred outflows of resources include deferred outflows of resources related to pension and deferred outflows of resources related to postemployment benefits. Deferred outflows of resources related to pension represent changes in actuarial assumptions, such as the discount rate, differences between expected and actual claims experience, differences between projected and actual earnings on plan investments and changes in proportion and proportionate share of contributions and contributions to New York State and Local Employees' Retirement System (ERS) for pension made in the current year subsequent to the measurement date. Deferred outflows of resources related to postemployment benefits represent changes of actuarial assumptions in total OPEB liability as provided by the actuarial report and benefit contributions to New York State Health Insurance Program (NYSHIP) made in the current year subsequent to the measurement date.

Deferred inflows of resources are defined as an acquisition of net assets by DASNY that is applicable to a future reporting period. Deferred inflows of resources include deferred inflows of resources related to pension. Deferred inflows of resources related to pension represent various changes in net pension liability as provided by ERS.

| | | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|---|
| OPEB activities | $ | 64,758 | 10,051 |
| Pension activities | | 39,720 | 43,097 |
| Total | $ | 104,478 | 53,148 |

***(j) Amounts Held for Institutions***

Certain public institutions provide monies directly to DASNY to be used for the construction or renovation of capital projects. Monies are also released from trustee accounts to DASNY for rehabilitation and renovation of projects. These monies and related earnings are included in Amounts Held for Institutions in the Statement of Net Position and are restricted for the purpose of making future improvements to projects. Also included in Amounts Held for Institutions are monies received from the State for purposes of helping hospitals in need and improving the healthcare delivery system, as well as, deposits of room rents collected by SUNY campuses to cover debt service and required reserves related to the SUNY Dormitory Facilities Revenue bond program. In addition, the obligation of NGHP to pay costs incurred in connection with properties owned by NGHP, the rent collected from Interfaith Medical Center to pay costs incurred in connection with properties owned by Atlantic Avenue, as well as the rent collected from NGHP and Interfaith Medical Center to reimburse the State for bonds redeemed are included in Amounts Held for Institutions.

***(k) Due to New York State***

The State pays construction costs for certain mental health projects managed by other State agencies, and advances funds for various other programs from its short term investment pool (STIP), which are subsequently reimbursed by DASNY from bond or note proceeds, or other funds appropriated to DASNY. The unreimbursed balance of such State advances for construction costs and grant programs is included in Due to New York State in the Statement of Net Position. Patient income receipts related to the State mental health program and rent receipts from tenants leasing State owned mental health facilities which have not yet been remitted to the State are also included in this liability. In addition, unremitted proceeds from the sale of State owned mental health properties are reported in Due to New York State.

***(l) Unearned Fees for Services***

As provided for in the various financing documents for all programs other than nonprofit health care institutions, independent colleges, universities and other nonprofit institutions, and certain New York State agencies, excess fees collected over expenses incurred relating to DASNY are obligations of DASNY to the institutions. Such amounts are included in the Statement of Net Position in Unearned Fees for Services.

Conversely, any excess of expenses over fees collected are claims of DASNY against the institutions. Such amounts are included in the Statement of Net Position in Other Receivables.

***(m) Compensated Absences***

Employees accrue vacation at varying rates ranging from 13 days per year to a maximum of 25 days per year. Overtime eligible employees accrue compensatory leave when they work between 37.5 hours and 40 hours in a workweek. A maximum of 225 hours of accrued vacation leave and a maximum of 240 hours of accrued compensatory leave is payable upon separation. Accrued expenses of $5.0 million were recorded at March 31, 2022 for the estimated obligation for vacation and compensatory leave and are included in Other Long Term Liabilities in the Statement of Net Position. Related receivables of $4.6 million, representing the portion of the liability allocable to public clients, are included in Other Receivables in the Statement of Net Position at March 31, 2022. In addition, DASNY is holding the remaining portion of the liability in a reserve established by the Board.

***(n) Derivative Instruments***

As a means to lower borrowing costs for the City and to cost effectively support its strategies to diversify its debt portfolios with a combination of fixed and variable rate debt, at various times, DASNY enters into swap agreements. The related lease and financing agreements between DASNY and the City include provisions that obligate the City, subject to annual appropriation, to pay to DASNY all amounts due in connection with the swap agreements. Such swap repayment terms are considered derivative instruments with terms reciprocal to those of the swap agreements. When analyzed concurrently, because of the reciprocal terms, the swap agreements and the swap repayment terms in the lease and financing agreements with the City are not considered associated with hedgeable items.

Consequently, the swap agreements and the swap repayment terms in the lease and financing agreements are regarded as investment derivatives. Given that the fair value of the swap repayment terms offsets the fair value of the swap agreements and both are reported as investments, there is no net impact on the basic financial statements (see note 8).

***(o) Net Position***

The amounts reported in Restricted net position are restricted in accordance with the bond and note resolutions for the payment of outstanding bonds and notes and also may be used for the payment of project costs, arbitrage payments to the Internal Revenue Service and costs of issuance. Restricted net position is held for the benefit of the institutions and bondholders. Monies remaining upon retirement of the bonds and notes are returned to the institutions. The amounts reported in Unrestricted net position are either undesignated and available to fund operating expenses or designated for a specific purpose by the Board and are not appropriable for operations (see note 13).

***(p) Revenue Recognition***

DASNY recognizes revenue when earned. Financing income is recognized as the related interest on bonds and notes is incurred. Fees for services are recognized, and unearned fees for services are amortized, as the related personal service expense of DASNY is incurred.

***(q) Income Taxes***

DASNY is a component unit of the State of New York and is therefore generally exempt from Federal, State, and local income taxes.

***(r) Use of Estimates***

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods.

Significant items subject to such estimates and assumptions include the fair value of investments, the carrying value of capital assets, accrued expenses and other long term liabilities. Actual results could differ from those estimates.

**(3) Cash, Cash Equivalents, and Investments**

DASNY has a written investment policy that applies to all investments. This policy allows for the following investments:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America;
- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by any agency or instrumentality of the United States of America that are rated in at least the second highest rating category by at least two nationally recognized statistical rating organizations;

- Certificates or other instruments which evidence the ownership of or the right to receive the payment of the principal and guaranteed interest on obligations, wholly comprised of such obligations listed above;
- Obligations of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, (i)(A) the interest on which is excludable from gross income under Section 103 of the Internal Revenue Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Internal Revenue Code (Exempt Obligations), or (B) which qualifies as a “Build America Bond” within the meaning of Section 54AA of the Internal Revenue Code, and (ii) are rated in at least the second highest rating category by at least two nationally recognized statistical rating organizations;
- Shares or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of $1.00 per share, that is rated in the highest short term rating category by at least one nationally recognized statistical rating organization, and at the time such investment is made, such fund had a minimum asset value of $500 million;
- Commercial paper issued by a domestic corporation rated in the highest short-term rating category by at least two nationally recognized statistical rating organizations and having maturities of not longer than 270 days from the date they are purchased;
- Bankers’ acceptances issued by a bank rated in the highest short-term rating category by at least two nationally recognized statistical rating organizations and having maturities of not longer than 365 days from the date they are purchased;
- Collateralized investment agreements; and
- Collateralized or insured certificates of deposit.

In addition, DASNY’s Board and Treasurer may also specifically authorize, as deemed appropriate, other investments that are consistent with DASNY’s investment objectives, and in the case of investments held in the restricted debt accounts of the individual series of bonds and notes, allowed under the provisions of the related bond, or note resolution.

One of the primary objectives of DASNY’s investment policy is to provide sufficient liquidity to meet the purposes for which the funds are being held. The majority of DASNY’s investment portfolio consists of short-term investment securities to achieve its liquidity objective. Consequently, DASNY’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates since the majority of investments are short term in nature. Most investments are held to pay for construction expenditures with maturities based upon expectations of when funds will be used or held on behalf of the various institutions to fund specific reserves or payment of debt service, or held for general operating purposes which generally do not exceed maturities of more than one year. Investment securities maturing beyond five years generally relate to sinking fund installments that are typically invested with maturity dates that coincide with those of the underlying bonds and notes.

The amount of investments by type and maturity, at March 31, 2022 is presented in the following table. Investment maturity classifications in the table are based on the maturity of the underlying investments, which differs from their classification on the Statement of Net Position. Investments reported as current on the Statement of Net Position generally have maturities of one year or less, unless they are restricted by the underlying bond and note resolutions and are expected to be reinvested upon maturity, or the proceeds at maturity are generally used to support construction activities, in which case they are reported as investments, other than current.

Investments reported as current on the Statement of Net Position at March 31, 2022 include $382 million for debt service payments to be made in the fiscal year ended March 31, 2023 which is restricted by the underlying bond and note resolutions. Also included in investments reported as current at March 31, 2022 are investments held for DASNY operations, nonbond related capital projects and rehabilitation and renovation of projects totaling $203 million.

| Investment type | Amount (In thousands) | Percentage of total | Maturities (in years) Less than 1 | 1-5 | More than 5 |
|---|---|---|---|---|---|
| Recorded at fair value: | | | | | |
| Obligations of the United States Government: | | | | | |
| U.S. Treasury notes/bonds | $ 3,691,729 | 64.4 % | $ 3,544,909 | 114,569 | 32,251 |
| U.S. Treasury bills | 1,498,540 | 26.1 | 1,498,540 | — | — |
| | 5,190,269 | 90.5 | 5,043,449 | 114,569 | 32,251 |
| Federal agency, notes and debentures: | | | | | |
| Federal National Mortgage Association (FNMA) | 75,864 | 1.3 | — | 75,864 | — |
| Federal Home Loan Bank (FHLB) | 421,345 | 7.4 | 421,345 | — | — |
| Federal Home Loan Mortgage Corp. (FHLMC) | 27,317 | 0.5 | 27,317 | — | — |
| | 524,526 | 9.2 | 448,662 | 75,864 | — |
| Recorded at cost: | | | | | |
| Certificates of indebtedness | 11,432 | 0.2 | 6,233 | 5,199 | — |
| Certificates of deposit | 3,800 | 0.1 | 3,800 | — | — |
| Repurchase Agreements | 902 | — | 902 | — | — |
| | 16,134 | 0.3 | 10,935 | 5,199 | — |
| Total | $ 5,730,929 | 100.0 % | $ 5,503,046 | 195,632 | 32,251 |

Investment credit risk is the risk that an issuer or other counterparty will not fulfill its obligations.

Federal Agency notes and debentures are issued by Government Sponsored Enterprises (GSEs), which carry the implicit guarantee of the United States federal government. At March 31, 2022, DASNY held approximately $525 million in agency securities issued by several GSEs, all of which are rated in at least the second highest rating category by at least two of the nationally recognized statistical rating organizations.

A portion of DASNY's investment portfolio is invested in several money market funds, which are open ended mutual funds that invest in short term debt securities and whose objective is to carry a net asset value (NAV) of $1.00, allowing for withdrawals equal to the amount of the original deposit plus an allocable portion of any interest that may have been earned by the fund. These funds are reflected in the Statement of Net Position as a component of Cash and Cash Equivalents. DASNY's investment policy requires at the time of investment, each fund have a minimum asset value of $500 million and be rated in the highest short-term rating category by at least one nationally recognized statistical rating organization. At March 31, 2022, DASNY held approximately $5.8 billion in investments of this type which were all rated in the highest short-term rating category by at least one nationally recognized statistical rating organization.

Custodial credit risk for deposits is the risk that in the event of a bank failure, DASNY's deposits may not be returned. DASNY's deposit policy for custodial credit risk includes minimum equity and rating requirements of trustee and custodian banks. Certain deposits held in DASNY bank accounts are collateralized with securities held by custodian banks and certain are insured by federal depository insurance. As of March 31, 2022, DASNY had bank deposits of $185 million of which $152 million were uninsured and uncollateralized. The uninsured cash balances were primarily the result of amounts temporarily held pending debt repayment, disbursement, or investment. Of the collateralized portion, $23 million is held in disbursement accounts pending check clearance and is not reflected in the Cash and Cash Equivalents balance in the Statement of Net Position.

Concentration of credit risk is the risk of loss attributed to the magnitude of DASNY's investment in a single issuer. DASNY's investment policy places no limit on the amount it may invest in any one issuer; however, DASNY does establish minimum ratings requirements for each underlying issuer other than the United States Government where they are generally required to be rated in no less than the second highest rating category by at least 2 nationally recognized statistical rating organizations. As of March 31, 2022, DASNY had more than 5% of its investments in Federal Home Loan Bank (FHLB) securities. These investments were 7.4% of the total investment portfolio as of March 31, 2022.

DASNY uses an independent pricing source to determine the fair value of its investments. DASNY categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. This three-tiered fair value hierarchy is based on the valuation inputs used to measure the fair value of the assets as follows:

**Level 1**: Investments' fair value based on quoted prices for identical assets in active markets;

**Level 2**: Investments' fair value based on observable inputs which may include quoted prices for identical assets in markets not considered to be active, and quoted prices of similar assets in active or inactive markets; and

**Level 3**: Investments' fair value based on unobservable inputs.

At March 31, 2022, DASNY had the following fair value measurements (in thousands):

| | | | Fair value measurement using | |
|---|---|---|---|---|
| | | **March 31, 2022** | **Quoted prices in active markets for identical assets (Level 1)** | **Significant other observable inputs (Level 2)** |
| Investments by fair value level: | | | | |
| U.S. Treasuries | $ | 5,190,269 | 63,055 | 5,127,214 |
| Federal agencies | | 524,526 | — | 524,526 |
| Money market mutual funds | | 5,834,553 | 5,834,553 | — |
| Total investments measured at fair value | $ | 11,549,348 | 5,897,608 | 5,651,740 |

DASNY has no investments classified in the Level 3 category.

Investments classified in Level 1 are valued using prices quoted in active markets and daily publicly published prices for those securities. Those classified in Level 2 are valued using the following approaches:

- U.S. Treasuries: quoted prices for identical securities in markets that are not active; and
- Federal Agencies: matrix pricing based on the securities’ relationship to benchmark quoted prices.

**(4) Leases and Loans Receivable**

Leases and Loans Receivable represents amounts due in accordance with various financing agreements relating to the utilization of bond proceeds on projects.

Leases and Loans Receivable at March 31, 2022 consisted of the following (dollars in thousands):

| | State related debt | Conduit debt publicly offered | Conduit debt direct placement | Total |
|---|---|---|---|---|
| Minimum payments to be received during the fiscal years ending March 31: | | | | |
| 2023 | $ 2,305,770 | 1,638,754 | 91,175 | 4,035,699 |
| 2024 | 2,200,108 | 1,585,562 | 89,049 | 3,874,719 |
| 2025 | 2,126,525 | 1,513,957 | 85,203 | 3,725,685 |
| 2026 | 2,571,322 | 1,494,832 | 85,607 | 4,151,761 |
| 2027 | 2,008,205 | 1,508,768 | 84,428 | 3,601,401 |
| Thereafter | 44,527,559 | 20,587,196 | 1,701,127 | 66,815,882 |
| Total minimum payments receivable | 55,739,489 | 28,329,069 | 2,136,589 | 86,205,147 |
| Less future financing income, unexpended bond proceeds, and other credits | 22,778,353 | 11,540,396 | 491,421 | 34,810,170 |
| Total leases and loans receivable, net | 32,961,136 | 16,788,673 | 1,645,168 | 51,394,977 |
| Less current leases and loans receivable, net | 621,343 | 1,580,872 | 62,400 | 2,264,615 |
| Long-term leases and loans receivable, net | $ 32,339,793 | 15,207,801 | 1,582,768 | 49,130,362 |

Leases and loans receivable financed by bonds and notes are collectible through periodic payments. The collection of this receivable from institutions is dependent on the ability of each institution to generate sufficient resources to service its bonds and notes. For hospitals and nursing homes, this is predicated in large part on their ability to obtain Medicare, Medicaid, or other third party reimbursement rates sufficient to offset operating costs. For higher education institutions, this is predicated in large part on their ability to maintain enrollment and tuition at levels adequate to offset operating costs. For certain public institutions, payment is dependent upon annual appropriation. In certain situations, various credit structures are in place to reduce the risk of nonpayment to bondholders should an institution be unable to pay its debt service (see note 7). Based on continuous monitoring of collectability, it has been determined that there is no need to establish reserves for loan losses at March 31, 2022.

## (5) Capital Assets

Capital assets, net at March 31, 2022 consisted of the following (dollars in thousands):

| | | 2021 | Additions | Deletions | 2022 |
|---|---|---|---|---|---|
| Capital assets: | | | | | |
| Land: | | | | | |
| DASNY | $ | 1,083 | — | — | 1,083 |
| Atlantic Avenue | | 715 | — | — | 715 |
| Buildings: | | | | | |
| DASNY | | 23,388 | — | — | 23,388 |
| Atlantic Avenue | | 34,366 | — | (2,597) | 31,769 |
| Equipment – DASNY | | 18,858 | 939 | — | 19,797 |
| Total capital assets | | 78,410 | 939 | (2,597) | 76,752 |
| Less accumulated depreciation: | | | | | |
| DASNY | | 28,166 | 884 | — | 29,050 |
| Atlantic Avenue | | 16,820 | 1,372 | (886) | 17,306 |
| Total accumulated depreciation | | 44,986 | 2,256 | (886) | 46,356 |
| Capital assets, net | $ | 33,424 | (1,317) | (1,711) | 30,396 |

Depreciation expense is included in Maintenance and Operations expense in the Statement of Revenues, Expenses, and Changes in Net Position.

## (6) Long-Term Liabilities

DASNY's long-term liabilities as of March 31, 2022, including the current portion, are comprised of the following (in thousands):

| | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
|---|---|---|---|---|---|---|
| Bonds and notes payable | $ | 58,977,399 | 8,987,273 | (8,318,484) | 59,646,188 | 2,932,512 |
| Other long-term liabilities: | | | | | | |
| Accrued retainage | $ | 45,097 | 16,221 | (18,940) | 42,378 | 4,406 |
| Compensated absences | | 5,259 | — | (233) | 5,026 | — |
| Total OPEB liability | | 228,594 | 68,256 | (5,166) | 291,684 | — |
| Net pension liability | | 40,294 | 9,235 | (49,383) | 146 | — |
| Other | | 630 | 44 | (90) | 584 | — |
| Total other long-term liabilities | $ | 319,874 | 93,756 | (73,812) | 339,818 | 4,406 |
| Due to New York State | $ | 994,419 | 4,176,465 | (3,584,296) | 1,586,588 | 1,573,950 |
| Amounts held for institutions | $ | 518,466 | 916,437 | (790,312) | 644,591 | 196,628 |

## (7) Bonds and Notes Outstanding

### *(a) Description of Bonds and Notes*

Bonds and notes are special obligations of DASNY payable solely from payments required to be made by or for the account of the institution for which the particular special obligations were issued. Such payments are pledged or assigned to the trustees for the holders of the respective special obligations. DASNY has no obligation to pay its special obligations other than from such payments.

Summarized, by program and bond resolution, the schedule below details assets pledged as collateral, events of default, termination events, and subjective acceleration clauses that have finance-related consequences relevant to outstanding bonds and notes. All outstanding bonds and notes not identified as conduit debt are categorized as State related debt. This includes debt for the State University, City University, and New York State agencies detailed below (dollars in thousands).

| | Bonds and Notes Outstanding | Assets Pledged as Collateral | Events of Default | Termination Events | Subjective Acceleration Clauses |
|---|---|---|---|---|---|
| Healthcare Facilities: | | | | | |
| Conduit debt publicly offered | $ 3,775,905 | NA | NA | NA | NA |
| Conduit debt direct placement | 374,404 | NA | NA | NA | NA |
| Total Healthcare Facilities | 4,150,309 | | | | |
| Independent Institutions: | | | | | |
| Conduit debt publicly offered | 10,632,550 | NA | NA | NA | NA |
| Conduit debt direct placement | 1,108,665 | NA | NA | NA | NA |
| Total Independent Institutions | 11,741,215 | | | | |
| State University: | | | | | |
| Dormitory Facilities (Resolution dated 5/15/13) | 1,917,487 | (1) | (9) | (11) | (12) |
| Educational Facilities (Resolution dated 5/31/89) | 1,635 | (2) | (9) | (11) | (12) |
| Educational Facilities (Resolution dated 9/4/02) | 102,485 | (2) | (9) | (11) | (12) |
| Educational Facilities (PIT Education Resolution dated 7/24/02) | 92,965 | (3) | (10) | (11) | (13) |
| Educational Facilities (PIT General Purpose Resolution dated 4/29/09) | 7,127,325 | (3) | (10) | (11) | (13) |
| Educational Facilities (Sales Tax Resolution dated 9/11/13) | 1,818,140 | (4) | (10) | (11) | (13) |
| Upstate Community Colleges (Resolution dated 1/26/05) | 14,355 | (5) | (9) | (11) | (12) |
| Upstate Community Colleges (PIT Education Resolution dated 7/24/02) | 6,280 | (3) | (10) | (11) | (13) |
| Upstate Community Colleges (PIT General Purpose Resolution dated 4/29/09) | 520,425 | (3) | (10) | (11) | (13) |
| Upstate Community Colleges (Sales Tax Resolution dated 9/11/13) | 197,240 | (4) | (10) | (11) | (13) |
| Total State University | 11,798,337 | | | | |
| City University: | | | | | |
| City University (Resolution dated 1/22/03) | 22,835 | (6) | (9) | (11) | (12) |
| City University (PIT Education Resolution dated 7/24/02) | 59,900 | (3) | (10) | (11) | (13) |
| City University (PIT General Purpose Resolution dated 4/29/09) | 3,840,465 | (3) | (10) | (11) | (13) |
| City University (Sales Tax Resolution dated 9/11/13) | 1,014,305 | (4) | (10) | (11) | (13) |
| Total City University | $ 4,937,505 | | | | |

| | Bonds and Notes Outstanding | Assets Pledged as Collateral | Events of Default | Termination Events | Subjective Acceleration Clauses |
|---|---|---|---|---|---|
| New York State Agencies: | | | | | |
| Department of Health (Resolution dated 7/18/90) | $ 88,320 | (7) | (9) | (11) | (12) |
| Multiple Purposes (PIT Education Resolution dated 7/24/02) | 192,045 | (3) | (10) | (11) | (13) |
| Multiple Purposes (PIT General Purpose Resolution dated 4/29/09) | 16,979,545 | (3) | (10) | (11) | (13) |
| Multiple Purposes (Sales Tax Resolution dated 9/11/13) | 5,473,260 | (4) | (10) | (11) | (13) |
| Employer Assessment (Resolution dated 10/9/13) | 267,875 | (8) | (9) | (11) | (14) |
| Total New York State Agencies | 23,001,045 | | | | |
| Municipal Facilities: | | | | | |
| Conduit debt publicly offered | 3,870,521 | NA | NA | NA | NA |
| Conduit debt direct placement | 147,256 | NA | NA | NA | NA |
| Total Municipal Facilities | 4,017,777 | | | | |
| Total Bonds and Notes Outstanding | $ 59,646,188 | | | | |

*Footnotes for the column identified as Assets Pledged as Collateral*

(1) Dormitory Facilities Revenue Fund held by the State's Commissioner of Taxation and Finance where all revenues (rents, fees, charges) are deposited.

(2) Secured by a pledge of all revenues received by the State University Construction Fund, as well as an annual State appropriation.

(3) Effective April 1, 2018, a statutory allocation of 50% (previously 25%) of State of New York personal income tax receipts are deposited into the Revenue Bond Tax Fund which is held jointly by the State's Commissioner of Taxation and Finance and the State Comptroller. Also added was a requirement to deposit 50% of the New York State Employer Compensation Expense Program receipts and 50% of the New York State Pass-Through Entity Tax receipts as additional revenue sources. Annual State appropriations are required prior to any payments out of the account. Should the balance be insufficient to make financing agreement payments that have been appropriated, the State Comptroller is required to transfer from the State's General Fund amounts necessary to meet the cash requirements.

(4) Initially a statutory allocation of 1% of New York State sales tax receipts are deposited in the Sales Tax Revenue Bond Tax Fund which is held jointly by the State's Commissioner of Taxation and Finance and the State Comptroller. The 1% allocation of sales tax receipts will be increased to 2% once all New York Local Government Assistance Corporation bonds have been redeemed or defeased which is expected to occur on or before April 1, 2025.

(5) Community College Tuition and Instructional Income Fund held by the State's Commissioner of Taxation and Finance where all monies appropriated annually by the State are to be deposited.

(6) Secured by a pledge of all revenues received by the City University Construction Fund and an annual State and City appropriation.

(7) Health Income Fund held by the State Comptroller where all patient care revenues are required to be deposited, as well as an annual State appropriation. The State Comptroller is required to maintain an amount sufficient to meet the next succeeding six months financing obligations before transferring the balance to the medical care facilities.

(8) Secured by a pledge of assessments pursuant to the Worker's Compensation Law. Bondholders are pledged to receive the first assessment monies received from employers each year until the annual debt service commitment has been reached.

*Footnotes for the column identified as Events of Default*

(9) Failure to make timely payment of amounts due and meeting all bond covenants, conditions, agreements, and provisions in the respective resolutions; or tax exempt bonds have been deemed taxable.

(10) There are no events of default that cause additional financial consequences. Bondholders continue to be entitled to receive all principal and interest that is due.

*Footnotes for the column identified as Termination Events*

(11) There are no termination events relevant to State related debt with financial consequences for DASNY.

*Footnotes for the column identified as Subjective Acceleration Clauses*

(12) Upon the written request of bondholders of not less than 25% in principal outstanding, the Trustee may declare all principal and interest on the outstanding bonds to be due immediately after a thirty day notice period.

(13) The bond resolution does not permit the trustee or bondholders to declare the bonds immediately due and payable. Bondholders of not less than a majority in aggregate principal amount of bonds outstanding may bring an action or suit to enforce the rights of the bondholders.

(14) The bond resolution does not permit the trustee or bondholders to declare the bonds immediately due and payable. Bondholders of not less than 25% in principal amount of bonds outstanding may bring an action or suit to enforce the rights of the bondholders.

DASNY debt includes approximately $19.91 billion of conduit debt obligations, which includes $1.63 billion in direct placements, issued on behalf of the State of New York for private entities and municipal facilities that contain various provisions of events of default, termination events, and subjective acceleration clauses. Conduit debt is secured by revenues of the institution, and in some cases additionally secured by bond insurance, letters of credit, and property liens that would be utilized to pay off such obligations and result in DASNY having no further financial related consequences. Therefore, conduit debt identified in the above table within the categories of Healthcare Facilities, Independent Institutions, and Municipal Facilities and the columns representing assets pledged as collateral, events of default, termination events, and subjective acceleration clauses are marked as not applicable (NA).

In addition, certain bond and note issues include credit enhancements. The following summarizes bonds and notes outstanding on March 31, 2022 by primary security feature (dollars in thousands):

| | | State related debt | Conduit debt publicly offered | Conduit debt direct placement | Total |
|---|---|---|---|---|---|
| Backed by letters of credit | $ | — | 181,435 | — | 181,435 |
| Insured by municipal bond insurance | | — | 1,814,705 | — | 1,814,705 |
| Backed by mortgages insured by the State of New York Mortgage Agency | | — | 34,170 | — | 34,170 |
| Backed by mortgages insured by agencies of the federal government | | — | 263,440 | — | 263,440 |
| Payable from State and local government appropriations, state service contracts or designated income funds | | 37,551,525 | 689,846 | 125,500 | 38,366,871 |
| Backed by pledged assets and revenues or payments | | 2,185,362 | 15,295,380 | 1,504,825 | 18,985,567 |
| Total | $ | 39,736,887 | 18,278,976 | 1,630,325 | 59,646,188 |

Publicly offered fixed rate, directly placed fixed rate, publicly offered variable rate bonds and notes, and directly placed variable rate bonds are due in various installments through fiscal year ending March 31, 2054. Publicly offered fixed rate bonds bear interest at rates currently ranging from .25% per annum to 5.75% per annum. Directly placed fixed rate bonds bear interest at rates currently ranging from 2.22% per annum to 6.375% per annum. Publicly offered variable rate bonds and notes bear interest at rates currently ranging from .13% per annum to .79% per annum. Directly placed variable rate bonds bear interest at rates currently ranging from .184% per annum to 6.25% per annum.



(Continued)

As of March 31, 2022, DASNY had a total of $756 million outstanding variable rate demand bonds, of which $160 million was secured by direct pay bank letters of credit, $206 million was secured by appropriations or by pledged assets and revenues or by payments of the respective clients and with liquidity provided by standby purchase agreements, $128 million was secured by agencies of the federal government, and $263 million (includes $0 direct placement bonds) was secured by pledged assets and revenues or by payments of the respective clients acting as their own liquidity provider.

The variable rate demand bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest upon notice and delivery (tender) of the bonds to the remarketing agent being provided within a period of time as specified under the respective bond documents. The remarketing agent is required to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. For those bonds secured by a direct pay letter of credit, the trustee is required to draw an amount sufficient to pay the purchase price of bonds delivered to it and to reimburse the letter of credit provider from monies available from remarketing and from monies held under the bond resolution. The direct pay letters of credit relevant to variable rate bonds expire at various times through April 25, 2029. For those bonds with liquidity provided by a standby bond purchase agreement, secured by an agency of the federal government, or where the conduit borrower is acting as its own liquidity provider, the trustee is required to draw from monies held under the bond resolution or from the liquidity provider an amount sufficient to pay the purchase price of bonds delivered to it which are unable to be remarketed. The standby bond purchase agreements expire at various times through January 14, 2025.

DASNY issues debt on behalf of both public, primarily the State, and private institutions. DASNY has elected the option under GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, to report conduit debt, primarily issued on behalf of private institutions, in its basic financial statements. In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended, DASNY is included in the financial statements of the State as a discretely presented component unit. As such, bonds issued on behalf of the State are not considered conduit debt. Under GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, variable rate demand bonds should be reported as long term debt if certain conditions are met; otherwise, they should be reported as a current liability. In the case of its conduit variable rate demand bonds, DASNY is not a party to the liquidity or takeout agreement with the provider. All liquidity provider fees are paid directly by the conduit borrower and are not DASNY’s obligation, and, in some cases, the conduit borrower acts as its own liquidity provider. Such bonds, and the related leases and loans receivable, are classified as current on the Statement of Net Position. All variable rate demand bonds, and the related leases and loans receivable, are disclosed in note 7(b) Maturities of Bond and Notes and note 4 Leases and Loans Receivable. As of March 31, 2022, approximately $756 million of variable rate demand bonds were classified as current on the Statement of Net Position plus an additional $10 million direct placement bonds.

Certain bonds and notes have the respective institution’s cash and investments, surety bonds, or letters of credit pledged to collateralize certain reserve requirements and are not included in the

Statement of Net Position. As of March 31, 2022, the amounts pledged are as follows (dollars in thousands):

| | | Conduit debt publicly offered |
|---|---|---|
| Surety bonds | $ | 97,230 |
| Letters of credit | | 7,500 |
| | $ | 104,730 |

Under certain circumstances, if the credit ratings of the surety bond provider fall below a certain level, the related reserve funds are required to be funded with cash and investments, deposits of which are to be made by the ultimate obligor on the bonds in ten equal semiannual installments beginning on the first day of the bond year following such downgrade. As of March 31, 2022, the credit ratings of three surety bond providers, who had issued a total of $29 million in surety bonds, had fallen below the level requiring such actions, and deposits have been made to the related debt service reserve funds. There are no similar provisions under the terms of letters of credit. If the rating of the letter of credit provider is downgraded, the ratings on the related bonds may be downgraded.

### *(b) Maturities of Bonds and Notes*

Maturities of bonds and notes are as follows (dollars in thousands):

| | State related debt principal | State related debt interest | Conduit debt publicly offered principal | Conduit debt publicly offered interest | Conduit debt Direct placement principal | Conduit debt direct placement interest | Total |
|---|---|---|---|---|---|---|---|
| Fiscal year ends March 31: | | | | | | | |
| 2023 | $ 1,289,240 | 1,746,904 | 843,147 | 801,853 | 53,420 | 37,755 | 4,772,319 |
| 2024 | 1,306,760 | 1,692,955 | 830,371 | 760,396 | 52,329 | 36,720 | 4,679,531 |
| 2025 | 1,527,150 | 1,632,787 | 798,469 | 715,488 | 49,807 | 35,396 | 4,759,097 |
| 2026 | 2,150,485 | 1,569,353 | 816,027 | 678,805 | 51,517 | 34,090 | 5,300,277 |
| 2027 | 2,103,620 | 1,475,255 | 868,718 | 640,050 | 51,657 | 32,771 | 5,172,071 |
| 2028–2032 | 10,084,760 | 5,952,054 | 4,024,670 | 2,628,866 | 346,679 | 138,788 | 23,175,817 |
| 2033–2037 | 8,090,803 | 3,857,815 | 3,303,784 | 1,775,858 | 341,533 | 96,418 | 17,466,211 |
| 2038–2042 | 6,346,632 | 2,227,090 | 2,709,740 | 1,125,893 | 206,324 | 56,069 | 12,671,748 |
| 2043–2047 | 4,857,132 | 979,215 | 1,926,890 | 689,270 | 294,825 | 30,275 | 8,777,607 |
| 2048–2052 | 1,980,305 | 151,753 | 1,983,470 | 236,836 | 81,789 | 7,648 | 4,441,801 |
| 2053–2057 | — | — | 173,690 | 8,229 | 100,445 | 334 | 282,698 |
| Total | $ 39,736,887 | 21,285,181 | 18,278,976 | 10,061,544 | 1,630,325 | 506,264 | 91,499,177 |

Bonds and notes maturing during the fiscal year ending March 31, 2023 as shown in the table above do not correspond to the amount reported as the current portion of bonds and notes outstanding in the Statement of Net Position due to a difference in classification of certain variable rate demand obligations. The amount reflected above is based on the stated maturity dates for all bonds and notes outstanding while the current portion of bonds and notes outstanding in the Statement of Net Position also includes the entire principal amount outstanding of variable rate demand obligations issued on behalf of DASNY's conduit borrowers as well as those variable rate demand obligations relevant to public programs that have liquidity agreements expiring during the upcoming fiscal year and private placement bonds in term rate mode with a mandatory tender during the upcoming fiscal year.

Interest reflected above for variable rate debt was projected using the interest rates in effect as of March 31, 2022.

### *(c) Tax-Exempt Leasing Program*

DASNY offers a tax exempt leasing program (TELP) that utilizes DASNY's tax exempt financing authority. In a TELP lease, DASNY, as the lessee, subleases the equipment to the borrower and thereafter has no security interest in the equipment. The repayments are assigned to and made directly to the lessor. The repayments are nontaxable income to the lessor. The leases do not constitute DASNY or State debt. Since DASNY assigns both its security interest in the equipment and its rights to receive sublease repayments to the lessor, and DASNY has no active role in managing or administering the leases, the TELP leases are not included in the Statement of Net Position. The total amount of TELP leases outstanding as of March 31, 2022 was approximately $221 million.

## (8) Derivative Instruments

Section 2926 of the Public Authorities Law authorizes DASNY to enter into swap agreements up to certain limits in connection with bonds and notes issued on behalf of a municipality for court facilities and combined occupancy structures and bonds and notes issued on behalf of a municipality for health facilities. Pursuant to these authorizations, as a means to lower borrowing costs for the City and to cost effectively support their strategies to diversify their debt portfolios with a combination of fixed and variable rate debt, at various times, DASNY enters into swap agreements. The lease and financing agreements entered into by DASNY with the City include terms that obligate the City, subject to annual appropriation, to pay to DASNY all amounts due in connection with these swap agreements and obligate DASNY to pay the City any amounts received in connection with the swap agreements. These swap repayment terms in the lease and financing agreements are considered derivative instruments with terms reciprocal to those of the swap agreements. When analyzed concurrently, because of the reciprocal terms, the swap agreements and the swap repayment terms in the lease and financing agreements with the City are not considered to be associated with hedgeable items. Consequently, the swap agreements and the swap repayment terms in the lease and financing agreements are regarded as investment derivatives.

On March 31, 2022, DASNY had a total of 2 pay-fixed, receive-variable City swap agreements outstanding with a total notional amount of $125.5 million and a negative fair value of $25 million and reciprocal swap repayment terms in lease and financing agreements with like values.

The table below summarizes the fair values, notional amounts and changes in fair value of derivative instruments outstanding as of March 31, 2022. Bracketed amounts denote negative values.

| Type of derivative instrument | Notional amounts (In thousands) | Fair value classification | Swap fair value (In thousands) | Change in fair value classification | Change in fair value (In thousands) |
|---|---|---|---|---|---|
| Investment derivatives: | | | | | |
| Pay-fixed, receive-variable swaps: | | | | | |
| Swap agreements | $ 125,500 | Investment | $ (25,366) | Investment income | $ 6,141 |
| Pay-variable, receive-fixed swaps: | | | | | |
| Lease and financing agreements | 125,500 | Investment | 25,366 | Investment income | (6,141) |
| Grand total | | | $ — | | $ — |

*Fair value* – The fair values of the swap agreements and the swap repayment terms in the lease and financing agreements were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the agreements, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the agreements. The inputs used in the fair value measurement of the derivative investments are Level 2 category.

*Credit risk* – As of March 31, 2022, DASNY was not exposed to credit risk on the swap agreements with $25 million relevant to the City swap agreements. Since changes in interest rates affect the fair values of swap agreements, it is possible that swap agreements with negative fair values become positive, and that swap agreements with positive fair values increase in value, which would expose DASNY to increased credit risk. DASNY's potential credit risk on the swap agreements is reduced due to the lease and financing agreements in place that obligate the City to pay DASNY, subject to annual appropriation, all amounts due in connection with the swap agreements. Certain swap agreements include setoff provisions should a swap agreement terminate. These setoff provisions permit, at DASNY's option, or in some cases, at the option of the nondefaulting or nonaffected party, all swap agreements with the given counterparty related to the bonds to terminate and to net the transactions' fair values so that a single sum will be owed by, or owed to, DASNY. Should the counterparties fail to perform according to the terms of the swap contracts, as of March 31, 2022, DASNY faces a maximum credit risk exposure related to the swaps' net positive fair value of $0.

As of March 31, 2022, DASNY was exposed to credit risk on the swap repayment terms with $25 million for the City swap agreements because the City's obligations under the lease and financing agreements are subject to annual appropriation.

DASNY guidelines require that, for swap agreements entered into under the provisions of Section 2926 of the Public Authorities Law, counterparties have credit ratings from at least two nationally recognized statistical rating agencies that are within the three highest investment grade categories, or the payment obligations of the counterparty are unconditionally guaranteed by an entity with such credit ratings. In the event that a counterparty's ratings are reduced below certain ratings thresholds, the counterparty is required to comply with the collateral requirement provisions whereby the counterparty will be required to post collateral in an amount equal to 102% of the swap termination value under certain conditions. Collateral is required to be posted at any time that the counterparty does not have at least one rating in the second highest rating category, or any of the ratings assigned to the counterparty are below the three highest rating categories, and credit exposure exists on the valuation date. DASNY monitors the values of the related swap agreements on a daily basis to determine if collateral is required to be posted. As of March 31, 2022, there was no requirement for collateral to be posted. Collateral on all swap agreements related to City supported bonds may be held by either a third-party custodian or DASNY. All collateral may be in the form of direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, or other securities permitted by law and agreed upon in writing by DASNY and the counterparty.

The credit ratings for DASNY's counterparties on March 31, 2022 are as follows:

| | **Moody's** | **S&P** | **Fitch** |
|---|---|---|---|
| Counterparties: | | | |
| Goldman Sachs Mitsui Marine | | | |
| Derivative Products, L.P. | Aa2 | AA- | N/A |
| JPMorgan Chase Bank | Aa2 | A+ | AA |
| New York City General Obligations | Aa2 | AA | AA- |

## (9) Debt Refundings

DASNY has issued bonds on behalf of various institutions to defease existing revenue bonds. Under the terms of the resolutions for the defeased bonds, investments have been deposited in irrevocable trusts with trustee banks to provide sufficient amounts to be used solely for the payment of scheduled debt service on these bonds. As a result, the refunded bonds, certain of which are still held by investors, are considered to be defeased pursuant to the applicable bond resolutions and the liabilities for those bonds and related investments have been removed from the Statement of Net Position. As of March 31, 2022, outstanding revenue bonds of approximately $5.7 billion (includes $0 direct placement bonds) were considered defeased under existing accounting standards; accordingly, such bonds and the related investments placed in trust are not included in the basic financial statements.

The refundings during the fiscal year ended March 31, 2022, involved the issuance of fixed rate and variable rate bonds to refund previously issued fixed and variable rate bonds. The refundings totaled $2.8 billion par value of bonds (new bonds), which includes $79.0 million of direct placement par, to refund $3.2 billion par value of outstanding bonds (refunded bonds), (includes $55.8 million of direct placement par). The proceeds of $3.2 billion (includes $78.2 million of direct placement bonds) from the sale of new bonds, including net original issue premium, plus $54.0 million of refunded bond monies and deposits from institutions, (includes $0.7 million direct placement bonds), were deposited in irrevocable trusts (escrow accounts and in certain cases, redemption accounts) and used to purchase United States Government securities as described above. The new bonds also funded reserve requirements and provided for costs of issuance.

The fixed rate refundings included the issuance of $2.4 billion par value ($23.3 million direct placement bonds) for new fixed rate bonds with an average interest rate of 3.52% to refund $2.6 billion par value of outstanding fixed rate bonds ($0 direct placement par) with an average interest rate of 4.62%. The proceeds of $2.7 billion ($23.1 million direct placement proceeds) from the sale of new fixed rate bonds, including net original issue premium, plus an additional $35.1 million of refunded fixed rate bond monies ($0 direct placement bonds) and deposits from institutions, were used to fund the related escrow accounts and in certain cases, redemption accounts. These fixed rate refundings resulted in a decrease of $458.5 million ($0 direct placement bonds) in aggregate future debt service payments and a net present value economic gain of $435.7 million ($0 direct placement bonds) for the fiscal year ended March 31, 2022.

The remaining refundings involved either the issuance and/or the refunding of variable rate bonds and included a total issuance of $480.5 million par value (includes $55.6 million of direct placement par) of new bonds to refund $538.0 million par value (includes $55.8 million of direct placement par) of outstanding bonds. The proceeds of $519.7 million (includes $55.1 million of direct placement proceeds) from the sale of these bonds, including net original issue premium, plus an additional $19.0 million of refunded bond monies and deposits from institutions ($0.7 million direct placements), were used to fund the related escrow accounts and in certain cases, redemption accounts. Since these refundings involved variable rate bonds, neither the difference between the cash flows required to service the new bonds and those required to service the refunded bonds, nor the present value gain or loss can be reasonably determined as of March 31, 2022.

## (10) Commitments and Contingencies

### *(a) Litigation*

DASNY has been named as a defendant in various pending actions which seek to recover damages for alleged wrongful death, personal injuries, loss of service or medical expenses, and violation of civil rights. There are other pending or threatened actions or matters with regard to breach of contract, retained percentages, damages, work at certain projects, liens filed with DASNY, and other claims involving DASNY contracts. It is management’s opinion, based upon the advice of General Counsel, that these pending or threatened matters are covered either by DASNY’s insurance program, surety bonds filed with DASNY, indemnification from the State or its agencies and municipalities under applicable statutes or other agreements (subject to the availability of funds), are recoverable from institutions, or DASNY has sufficient resources to meet any potential liability associated with such pending or threatened actions or matters and, therefore, could not be deemed to have a material adverse effect on DASNY.

### *(b) Construction Commitments*

In the normal course of business, DASNY enters into various commitments for construction costs. Such commitments, when added to the costs already incurred, are not expected to exceed the total amount of indebtedness issued and other available funding, including future authorized bond issues. Commitments for future construction costs totaled approximately $1.8 billion at March 31, 2022.

### *(c) Risk Management*

DASNY is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; accidents; and natural disasters. DASNY maintains commercial insurance coverage, subject to certain limits and deductible/retention provisions, for each of these risks of loss through the purchase of general liability, excess liability, property, builder's risk, directors' and officers' liability, blanket crime, business travel accident, auto liability, and workers compensation insurance policies.

## (11) Retirement Plans

### *(a) New York State and Local Employees' Retirement System*

*(i) Description of Plan*

DASNY participates in the ERS and the Public Employees' Group Life Insurance Plan (the Systems) administered by the New York State and Local Retirement System. These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller promulgates rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their monies. The Systems issue a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12236 or on the Comptroller's website at www.osc.state.ny.us/pension. For financial reporting purposes, the Systems are presented on an aggregated basis.

*(ii) Benefits*

The classes of employees covered under the ERS range from Tiers 1-6. In order to be eligible for retirement, all members must be at least age 55 and have a minimum of 5 years of service for Tiers 2-4, and 10 years of service for Tiers 5 and 6. There is no minimum service requirement for Tier 1 members. Generally, all members are eligible for early retirement at age 55 with a benefit calculation of 1.67% of final average salary for each year of service. Benefit calculations for Tiers 1 and 2 members with greater than 20 years of service credit, or Tiers 3-5 members between 20 and 30 years of service credit, is 2.0% of final average salary for each year of service. Tier 3-5 members are eligible for an additional 1.50% of final average salary applied to each year of service over 30 years. Generally, Tier 6 member retirement benefits are 1.75% of final average salary for each year of service for members with 20 years of service, with an additional 2.0% of final average salary for each year of service over 20 years. For Tiers 1-5, final average salary is the average of the wages earned in the three highest consecutive years of employment. Tier 6 final average salary is the average of the wages earned in the five highest consecutive years of employment.

Other benefits provided under the ERS include: ordinary disability, accidental disability, and post-retirement benefit increases.

*(iii) Funding Policy*

Funding of the Systems is accomplished through member and employer contributions and investment earnings, according to the New York State Retirement and Social Security Law.



(Continued)

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. Those joining on or after July 27, 1976 and before January 1, 2010 who have less than 10 years of service or membership are required to contribute 3% of salary. Those joining on or after January 1, 2010, and before April 1, 2012, are required to contribute 3% throughout active service. Persons joining on or after April 1, 2012, are required to contribute between 3% and 6% throughout active service. Employers are required to contribute at an actuarially determined rate. Fully contributed average employer contribution rate for the Tiers of 14.7% was applicable to the annual covered payroll for the year ended March 31, 2021. DASNY's required contribution for the fiscal year ended March 31, 2022 was $8.4 million and was 100% of the contribution required.

*(iv) Net Pension Liability*

DASNY's proportionate share of the Systems' net pension liability reported as of March 31, 2022 was $0.1 million. The net pension liability was measured as of March 31, 2021. DASNY's proportion of the net pension liability was based on DASNY's projected long term contribution effort compared to the projected total long term contribution effort of all employers in the Systems. At March 31, 2021, DASNY's proportion of the net pension liability was 0.15%, down slightly from the percentage at the March 31, 2020 measurement date.

For purposes of measuring the net pension liability and related pension amounts, information about the fiduciary net position of the Systems and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value.

*(v) Actuarial Information*

The total pension liability for the March 31, 2021, measurement date was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. This actuarial valuation used the following assumptions:

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Inflation | 2.7 percent |
| Salary scale | 4.4 percent indexed by service |
| Investment rate of return, including inflation | 5.9 percent compounded annually, net of investment expenses |
| Cost of living adjustments | 1.4 percent annually |
| Decrements | Developed from the Plan's 2020 experience study of the Period April 1, 2015 through March 31, 2020 |
| Mortality improvement | Society of Actuaries Scale MP-2020 |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the largest asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 are summarized below:

| Asset | Target Allocation | Long-term expected real rate of return |
|---|---|---|
| Domestic equity | 32 % | 4.05 % |
| International equity | 15 | 6.30 |
| Private equity | 10 | 6.75 |
| Real estate | 9 | 4.95 |
| Opportunistic/ARS portfolio | 3 | 4.50 |
| Credit | 4 | 3.63 |
| Real assets | 3 | 5.95 |
| Fixed income | 23 | — |
| Cash | 1 | 0.50 |
| | 100 % | |

The discount rate used to calculate the total pension liability at March 31, 2021 was 5.9%, down slightly from 6.8% at the March 31, 2020 measurement date. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents DASNY's current period net pension liability calculated using the current period discount rate assumption of 5.9%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (4.9%) or 1 percentage point higher (6.9%) than the current assumption (in thousands):

| | 1% Decrease (4.9%) | Current assumption (5.9%) | 1% Increase (6.9%) |
|---|---|---|---|
| DASNY net pension liability (asset) | $ 40,452 | 146 | (37,026) |

*(vi) Deferred Outflows of Resources and Deferred Inflows of Resources*

At March 31, 2022, DASNY reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| | | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|---|
| Differences between expected and actual experience | $ | 1,780 | — |
| Changes of assumptions | | 26,797 | 506 |
| Net difference between projected and actual earnings on plan investments | | — | 41,865 |
| Changes in proportion and differences between DASNY contribution and proportionate share of contributions | | 2,763 | 726 |
| Contributions subsequent to the measurement date | | 8,380 | — |
| Total deferred outflows/inflows of resources | $ | 39,720 | 43,097 |

Deferred outflows of resources of $8.4 million, resulting from contributions subsequent to the measurement date will be recognized as a reduction to net pension liability in the year ended March 31, 2023.

The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense for the fiscal years ending March 31 as follows (in thousands):

| | | |
|---|---|---|
| 2022 | $ | (1,620) |
| 2023 | | (226) |
| 2024 | | (1,970) |
| 2025 | | (7,941) |
| Total | $ | (11,757) |

*(vii) Total Pension Expense*

Total pension expense includes certain current period changes in the total net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense reported for the period ended March 31, 2022 is $4.5 million.

### *(b) Optional Retirement Plan*

Unrepresented DASNY employees who have estimated annual salary of $75 thousand or greater may participate in an Optional Retirement Program (ORP) under IRS Section 401(a), which is a multiple employer, defined contribution plan administered by separate vendors – TIAA CREF, Fidelity, Metropolitan Life, VALIC, and VOYA. DASNY's plan is administered exclusively by TIAA CREF. ORP employer and employee contributions are dictated by State law. The ORP provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in an ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employer contributions are not remitted to an ORP plan until an employee is fully vested. As such there are no forfeitures reported by these plans if an employee is terminated prior to vesting. Employees who joined an ORP after July 27, 1976 and have less than ten years of service or membership are required to contribute 3% of their salary. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Employer contributions are 8%. Employee contributions are deducted from their salaries and remitted on a current basis to the respective ORP. Pension expense for the plan for the period ended March 31, 2022 is $129 thousand.

## (12) Postemployment Benefits

### *(a) Plan Description*

DASNY provides postemployment healthcare benefits for eligible retired employees and their dependents who retire from DASNY. DASNY is a voluntary participating employer in NYSHIP, which is administered by the State of New York. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plans and to establish maximum obligations of the plan members to contribute to the plan. Subject to collective bargaining agreements, DASNY's Board is authorized to establish the contribution rates of DASNY employees and retirees below those set by Civil Service Law. NYSHIP is considered a single employer defined benefit plan offered by DASNY to its employees.

In order to be eligible, employees must be enrolled as a NYSHIP enrollee or a dependent of a NYSHIP enrollee at the time of retirement from DASNY, be eligible to receive a pension from the ERS and to have ten years of State service. In calculating the ten year service requirement, all of the employee's service need not be with DASNY, but may be a composite of New York State service elsewhere, with a minimum of one year with DASNY immediately preceding retirement. Employees with no prior State service must work a minimum of ten years with DASNY before they and their dependents are eligible for the retirement medical benefits.

DASNY pays 100% of the cost of single coverage and 75% of the cost of dependent coverage for employees who retired before January 1, 1983. DASNY pays 90% of the cost of single coverage and 75% of dependent coverage for employees who retire on or after January 1, 1983. A vestee is a DASNY employee vested as a member of the retirement system administered by the State, who has withdrawn from State service after meeting DASNY's minimum service requirement but has not met the age requirement for continuing health insurance. As of the measurement date, there were

826 participants consisting of 422 current employees, 1 retirees entitled to benefits under DASNY but not yet receiving, and 403 retired and/or spouses of retired employees under DASNY.

### *(b) Funding*

DASNY has not funded a qualified trust or its equivalent as defined in GASB Statement No. 75, therefore, benefits are funded on a pay as you go basis. DASNY's OPEB expenses are paid from fees collected from clients. As of March 31, 2022, the portion of the OPEB expense allocable to certain public clients was 92% and will be paid from future fees to be collected. A receivable in the amount of $176.1 million is included in Other Receivables—noncurrent in the Statement of Net Position at March 31, 2022. The OPEB expense allocable to nonprofit health care institutions, independent colleges, universities, and other nonprofit institutions, and certain New York State agencies was funded with $3.9 million as of March 31, 2022, with $11.1 million of the allocation remaining unfunded from client program operating funds for the related changes in the OPEB liability.

### *(c) Actuarial Assumptions and Other Inputs*

The total OPEB liability as of March 31, 2022 was measured as of March 31, 2021 and determined by a valuation as of March 31, 2020. The measurement of the total OPEB liability at March 31, 2021 used the following actuarial assumptions:

| | |
|---|---|
| Valuation date | March 31, 2020 |
| Inflation | 2.50% |
| Salary increase rate | 3.00% per year |
| Discount rate | 1.74% |
| Healthcare cost trend rates | 6.0% for 2021, decreasing to an ultimate rate of 4.5% for 2027 and later years |
| Retirees' share of benefit-related costs | 10% of the individual premium, plus 25% of the excess of any family premium over the individual premium |

The discount rate was based on the S&P municipal bond 20-year high grade index.

Mortality rates were based on those used in the "*Annual Report to the Comptroller on Actuarial Assumptions*" published in August 2020 projected generationally from 2020 using the MacLeod Watts Scale 2020 which was developed from a blending of data and methodologies found in the Society of Actuaries Mortality Improvement Scale (MP-2019 report published in October 2019) and the demographic assumptions used in the 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (published in April 2019).

### *(d) Accounting Information*

*(i) Changes in Total OPEB Liability during the Fiscal Year*

| | | Total OPEB Liability |
|---|---|---|
| | | (In thousands) |
| Total OPEB Liability, beginning balance | $ | 228,594 |
| Service cost | | 8,171 |
| Interest | | 6,885 |
| Changes in assumptions | | 53,200 |
| Benefit payments | | (5,166) |
| Net changes | | 63,090 |
| Total OPEB Liability, ending balance | $ | 291,684 |

Changes of assumptions and other inputs include a change in the discount rate from 2.94% in the prior year to 1.74% in the current year. The decrease in the discount rate used to value the liability accounts for a $53.2 million increase in the liability.

*(ii) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents DASNY's total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current year rate (in thousands):

| | | 1% Decrease 0.74% | Current rate 1.74% | 1% Increase 2.74% |
|---|---|---|---|---|
| Total OPEB Liability March 31, 2022 | $ | 349,279 | 291,684 | 246,349 |

*(iii) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate*

The following presents DASNY's total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower and 1 percentage point higher than the current year rate (in thousands):

| | | 1% Decrease | Current trend rates | 1% Increase |
|---|---|---|---|---|
| Total OPEB Liability March 31, 2022 | $ | 247,991 | 291,684 | 347,466 |



(Continued)

DASNY recognized $26.9 million in expenses related to OPEB for the year ended March 31, 2022. At March 31, 2022, DASNY reported deferred outflows of resources related to OPEB from the following sources (in thousands):

| | | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|---|
| Changes in assumptions | $ | 59,185 | 3,308 |
| Differences between expected and actual experience | | — | 6,743 |
| Employer contributions subsequent to measurement date | | 5,573 | — |
| Total | $ | 64,758 | 10,051 |

DASNY will recognize the contributions subsequent to the measurement date in the next fiscal year. The remaining amounts reported as deferred outflows of resources related to OPEB will be recognized in future OPEB expense for the fiscal years ending March 31 as follows (in thousands):

| | | |
|---|---|---|
| 2023 | $ | 11,836 |
| 2024 | | 11,445 |
| 2025 | | 10,900 |
| 2026 | | 10,650 |
| 2027 | | 4,303 |
| Total | $ | 49,134 |

## (13) Unrestricted Net Position

Unrestricted Net Position includes amounts that are not appropriable for operating expenses and are Board designated for a specific future use. Designations at March 31, 2022 are as follows (in thousands):

| | | |
|---|---|---|
| Designated: | | |
| Health care institution assistance | $ | 26,224 |
| Advance funding new projects | | 5,000 |
| Coverage for financial risks associated with directors and officers liability insurance policies | | 1,593 |
| Women/Minority Business Enterprises capital access, training and development | | 3,400 |
| Reserve for replacement of corporate facilities | | 5,874 |
| Reserve for 21st Century Technology Transformation | | 2,164 |
| Reserve for Evolution | | 1,171 |
| Total designated | | 45,426 |
| Undesignated (1) | | (33,822) |
| Total net position unrestricted | $ | 11,604 |

(1) This negative undesignated balance is due to the implementation of GASB 75 in 2019, which resulted in a $45.9 million reduction in net position as of April 1, 2018. DASNY expects this negative undesignated balance will be offset by future fee income collected from public clients.

## REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**
(A Component Unit of the State of New York)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System (Unaudited)

(Dollars in thousands)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| DASNY's proportion of the net pension liability | 0.15 % | 0.15 % | 0.16 % | 0.15 % | 0.15 % | 0.15 % | 0.16 % | 0.16 % |
| DASNY's proportionate share of the net pension liability | 146 | 40,294 | 11,133 | 4,686 | 13,797 | 24,119 | 5,259 | 7,035 |
| Covered payroll | 52,890 | 52,380 | 52,200 | 51,472 | 46,666 | 45,656 | 44,162 | 45,270 |
| Net pension liability as a percentage of covered payroll | 0.28 % | 76.93 % | 23.33 % | 9.10 % | 26.80 % | 52.80 % | 11.91 % | 15.54 % |
| Plan fiduciary net position as a percentage of the total pension liability | 100.0 % | 86.4 % | 96.3 % | 98.2 % | 94.7 % | 90.7 % | 97.9 % | 97.2 % |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**
(A Component Unit of the State of New York)

Required Supplementary Information

Schedule of Pension Contributions
New York State and Local Employees' Retirement System (Unaudited)

(Dollars in thousands)

| | | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ | 8,380 | 7,297 | 7,230 | 7,232 | 6,805 | 6,875 | 7,716 | 7,980 |
| Contributions in relation to the contractually required contribution | | (8,380) | (7,297) | (7,230) | (7,232) | (6,805) | (6,875) | (7,716) | (7,980) |
| Contribution deficiency (excess) | $ | — | — | — | — | — | — | — | — |
| Covered payroll | $ | 50,173 | 52,890 | 52,380 | 52,200 | 51,472 | 46,666 | 45,656 | 44,162 |
| Contributions as a percentage of covered payroll | | 16.70 % | 13.80 % | 13.80 % | 13.85 % | 13.22 % | 14.73 % | 16.90 % | 18.07 % |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**
(A Component Unit of the State of New York)

Required Supplementary Information

Schedule of Changes in the Total OPEB Liability
and Related Ratios (Unaudited)

(Dollars in thousands)

| | | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Total OPEB Liability: | | | | | |
| Service cost | $ | 8,171 | 7,450 | 7,584 | 6,895 |
| Interest | | 6,885 | 7,017 | 7,238 | 7,086 |
| Differences between expected and actual experience | | — | (10,662) | — | — |
| Changes in assumptions | | 53,200 | 21,422 | (6,985) | 7,436 |
| Benefit payments | | (5,166) | (4,941) | (4,708) | (4,838) |
| Net change in total OPEB liability | | 63,090 | 20,286 | 3,129 | 16,579 |
| Total OPEB liability, beginning | | 228,594 | 208,308 | 205,179 | 188,600 |
| Total OPEB liability, ending | $ | 291,684 | 228,594 | 208,308 | 205,179 |
| Net position as a percentage of total OPEB liability | | 29.6 % | 39.0 % | 83.8 % | 118.0 % |
| Covered-employee payroll | $ | 52,890 | 52,380 | 52,200 | 51,472 |
| Total OPEB liability as a percentage of covered-employee payroll | | 551.5 % | 436.4 % | 399.1 % | 398.6 % |

*Changes in benefit terms.* There were no significant changes in benefits for the March 31, 2018 and 2020 actuarial valuation.

*Changes in assumptions.*
The discount rate was updated from 2.94% in 2021 to 1.74% in 2022.
The discount rate was updated from 3.29% in 2020 to 2.94% in 2021.
The salary increase rate was updated from 3.25% in 2020 to 3.0% in 2021.
A liability held for potential excise tax was removed and the discount rate was updated from 3.44% in 2019 to 3.29% in 2020.
The discount rate was updated from 3.67% in 2018 to 3.44% in 2019.

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

See accompanying independent auditors' report.