



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

Basic Financial Statements

March 31, 2023

(With Independent Auditors' Report Thereon)

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

March 31, 2023

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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, 2023, 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, 2023, 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.

Emphasis of Matter

As discussed in Note 2(s) to the financial statements, in 2023, DASNY adopted new accounting pronouncement Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, GASB Statement No. 91, *Conduit Debt Obligations*, and GASB Statement No. 96, *Subscription-Based Information Technology ("SBITAs") Arrangements*. Our opinion is not modified with respect to these matters.

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 Employee Retirement System, the schedule of pension contributions New York State and Local Employee 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 GAAS, 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 21, 2023 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 21, 2023

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

Management's Discussion and Analysis

March 31, 2023

(Unaudited)

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, 2023. 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 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. In 2011 NGHP Holding Corporation and in 2013 Atlantic Avenue Healthcare Property Holding Corporation were established as subsidiaries of DASNY in the form of public benefit corporations, as a result of borrower defaults under certain loan agreements and mortgages with DASNY. See Note 1 to the basic financial statements for further discussion about DASNY and its subsidiaries.

Pursuant to Public Authorities Law Section 1678(31), the Social Equity Servicing Corporation (SESC) was established effective June 21, 2022 as a subsidiary of DASNY, whose purpose is to act, on behalf of itself or as agent, in performing one or more duties of DASNY in providing services under Public Officers Law section 1678(30) on behalf of the Office of Cannabis Management, the Cannabis Control Board, and/or a private debt or equity fund created pursuant to Public Officers Law section 1678(32). Those services include, but are not limited to:

- a) Entering into leases, subleases or other arrangements with regard to such property and acting in a manner consistent with the rights, obligations or responsibility of the owner, landlord or tenant of such property pursuant to such lease or sublease arrangements;
- b) Furnishing construction and construction management services for qualified dispensaries;
- c) Servicing non-recourse loan payments;
- d) Furnishing property management services; and
- e) Providing general operational services.

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.

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(Unaudited)

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 40 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. Under DASNY's subsidiary, SESC, services are provided to a public-private partnership between the State and private investors, which includes construction management, property management and loan servicing activities.

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 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.

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

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.

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(Unaudited)

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 2023 DASNY established a subsidiary, Social Equity Servicing Corporation (SESC), pursuant to Public Authorities Law section 1678(31) to support the State's initiative to provide non-recourse loans to social equity licensees operating conditional adult use cannabis dispensaries licensed by the Office of Cannabis Management ("OCM") and the Cannabis Control Board ("CCB"). SESC, acting as agent on behalf of a private debt fund (New York Social Equity Investment Fund, LLP) will provide loan servicing, construction management, property management, and related services.

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. Building enclosure is nearing completion with substantial project completion projected for December 2023.

DASNY continued work on the Lehman College – School of Nursing project, project is advancing towards substantial completion targeted for the third quarter of 2023.

DASNY continued its work at SUNY New Paltz – Awosting Hall performing a gut renovation and addition of a fourth floor at the existing suite-style residence hall. The \$41.5 million project is targeted for substantial completion by September 2023.

DASNY began work at the Western New York Children's Psychiatric Center which includes the renovation and addition of program space. The \$66.5 million project is targeted for completion in November 2024.

DASNY's debt issuance activity was limited this year to all conduit debt borrowings, issuing approximately \$3 billion in debt, none of which was State institution related therefore not included in the basic financial statements. Total outstanding bonds and notes balance for State institution related debt was approximately \$33 billion as of March 31, 2023. Total outstanding bonds and notes balance for conduit debt borrowings was approximately \$21 billion.

From a reporting perspective, DASNY adopted GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91). GASB 91 clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. As a result of adopting this pronouncement, DASNY has restated its beginning net position by a reduction of \$37.4 million as of April 1, 2022.

During fiscal year 2023, DASNY adopted GASB Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, as a lessee, DASNY is required to recognize a lease liability and an intangible right-to-use lease asset, and as a lessor, DASNY is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about DASNY's leasing activities. The impact of adoption of GASB 87 was recognition of Right-of-Use (ROU) assets

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and a corresponding lease liability of \$38.9 million and Lease receivable and deferred inflows of resources of \$2.4 million at April 1, 2022.

During fiscal year 2023, DASNY adopted GASB Statement No. 96, *Subscription-Based Information Technology ("SBITAs") Arrangements* (GASB 96). GASB 96 defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The impact of adoption of GASB 96 was recognition of ROU subscription assets and corresponding subscription liability of \$0.7 million at April 1, 2022.

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.

In accordance with GASB 91, DASNY does not report conduit debt in its basic financial statements. Pursuant to 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 (State Institutions) are not considered conduit debt. DASNY's basic financial statements are a compilation of approximately 1,000 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.

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 State institution 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

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restricted bond and note accounts, and Net Investment in Capital Assets, primarily related to its Albany headquarters building and right to use lease asset for its New York City office. 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.

Discussion of DASNY Lines of Business Activities

DASNY Operating Activities

DASNY's internal operating expenses totaled approximately \$83 million and \$85 million during 2023 and 2022, respectively, of which 6%, were allocable to private institutions, while 94% were allocable to public programs.

DASNY's personal service expenses totaled approximately \$73 million during 2023 and \$77 million during 2022, of which 83%, were associated with Construction Management activities.

Debt Issuance Activities

Bonds and Notes Issued

DASNY's Debt Issuance activity includes new money, refundings and refinancings. During 2023, DASNY did not issue any State institution debt, issuance activity all consisted of conduit debt borrowings for programs on behalf of private institutions and certain municipal clients.

Bonds and Notes Retired

Bond retirements were \$800 million lower in 2023, primarily due to a reduced level of scheduled redemptions and refundings from prior year activity. As shown in the charts below, scheduled redemption of DASNY bonds contributed approximately 19% of DASNY's bond retirement activity in 2023, compared with 33% in the prior year driven by NYS agencies. There were no refundings of State institution DASNY bonds in 2023, compared

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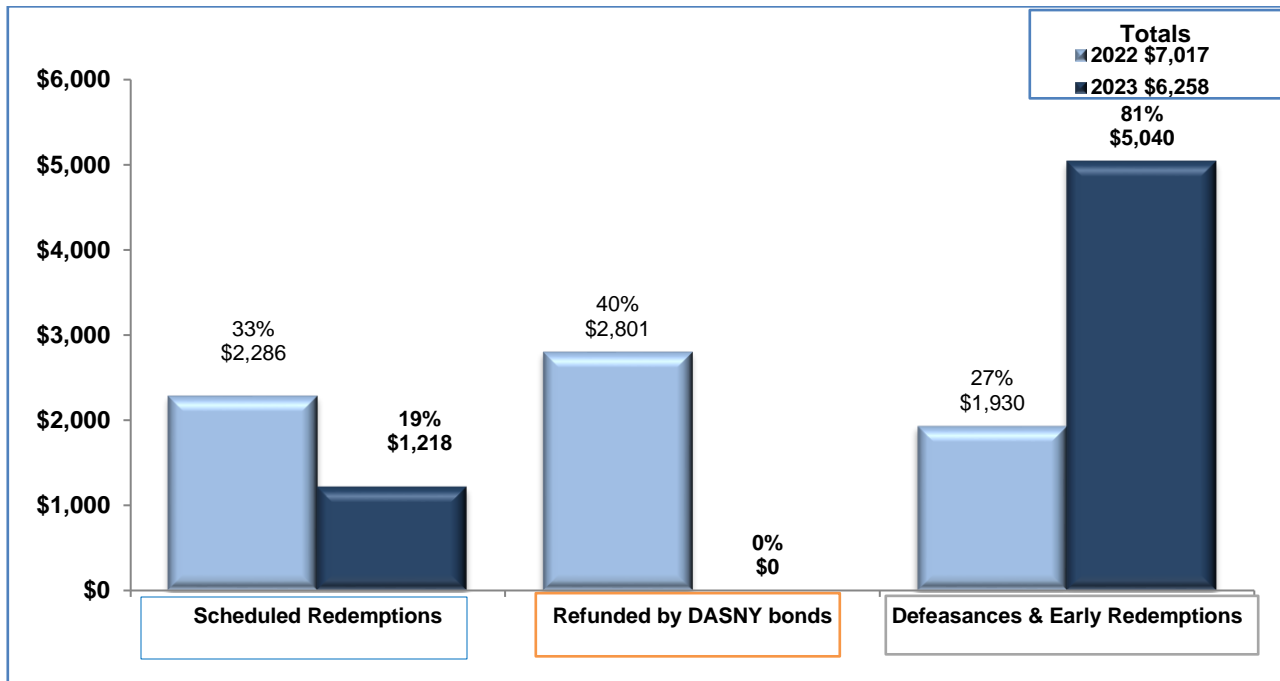
Management's Discussion and Analysis

March 31, 2023

(Unaudited)

with 40% in the prior year. The majority of bond retirements (81%) in 2023 were attributable to defeasances and early redemptions as a result of large prepayments provided by the State at the end of 2022.

Par Amount of Bonds Retired (\$in millions)



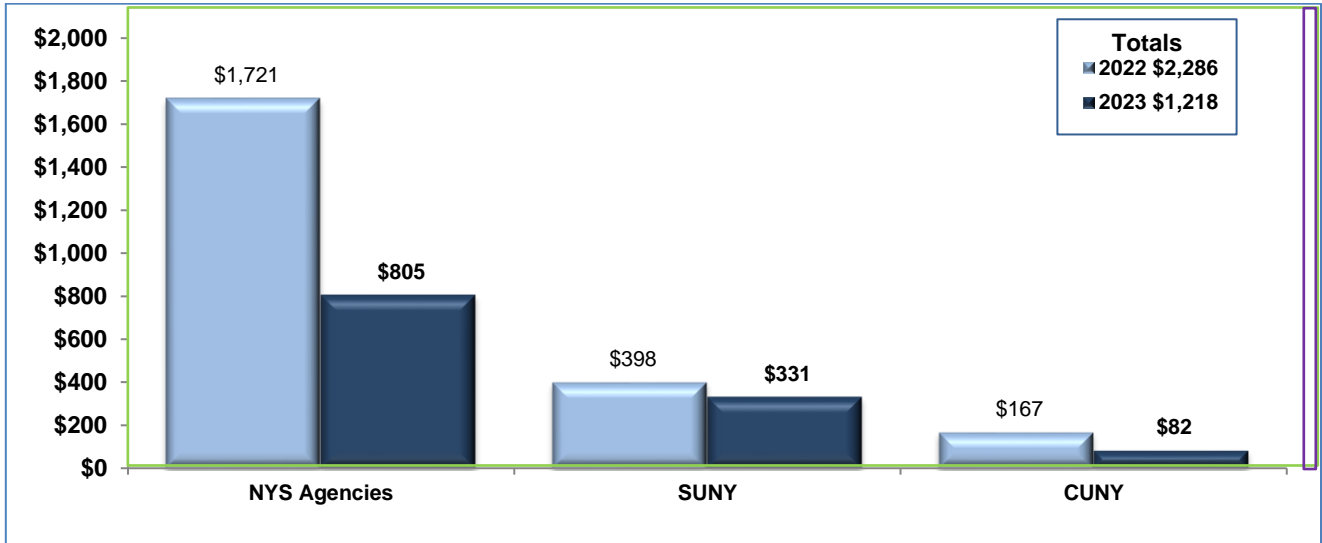
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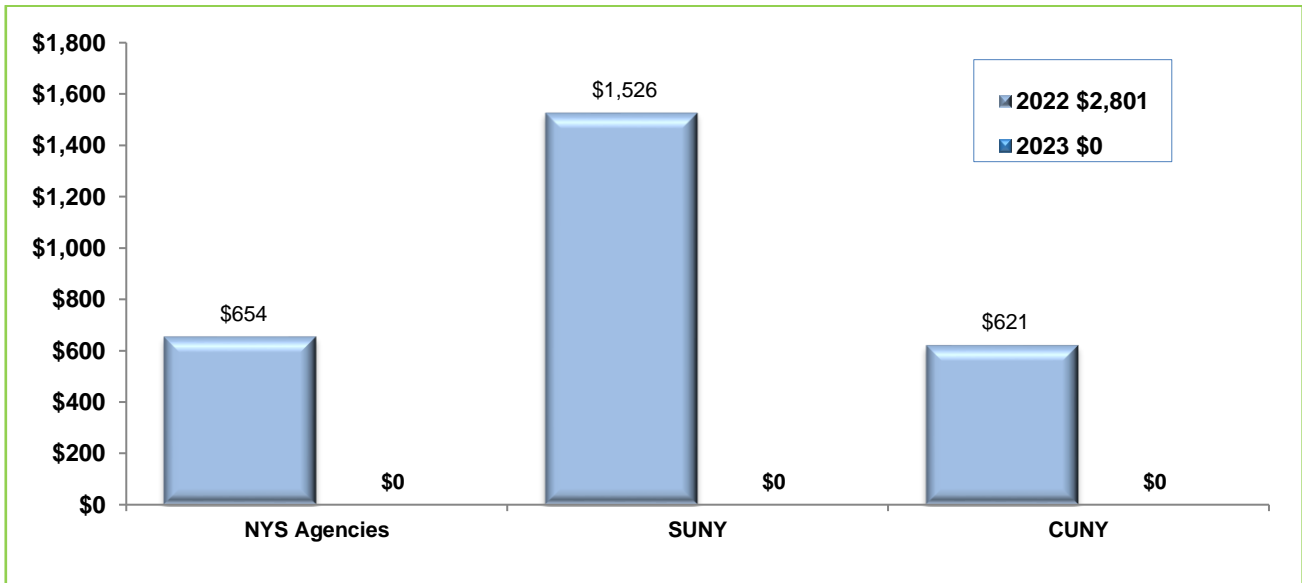
March 31, 2023

(Unaudited)

Scheduled Redemptions by Client Type (\$in millions)



Refunded by DASNY Bonds by Client Type (\$in millions)



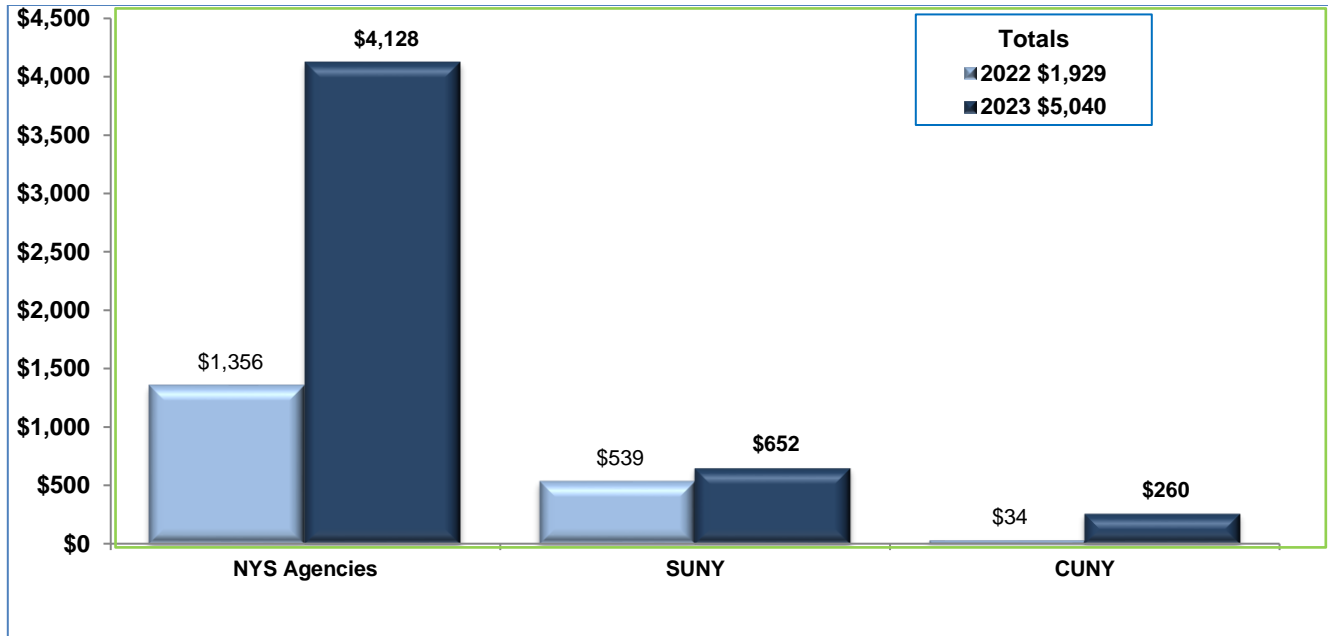
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Defeasances & Early Redemptions by Client Type (\$in millions)



Bonds and Notes Outstanding

As shown on the following page, nearly two-thirds of DASNY's outstanding bonds and notes are State institutions, with nearly 90% of that portion related to NYS agencies and SUNY. During 2023, the outstanding balance decreased \$5.2 billion (9%). (See note 7 to the basic financial statements for more detailed information.)

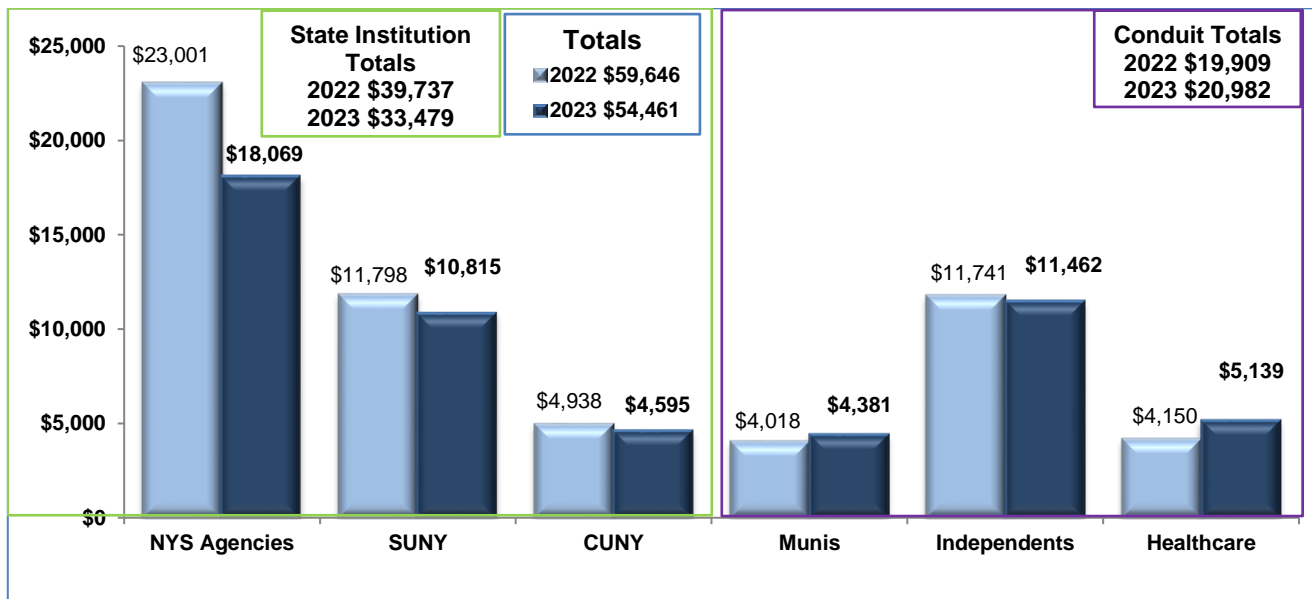
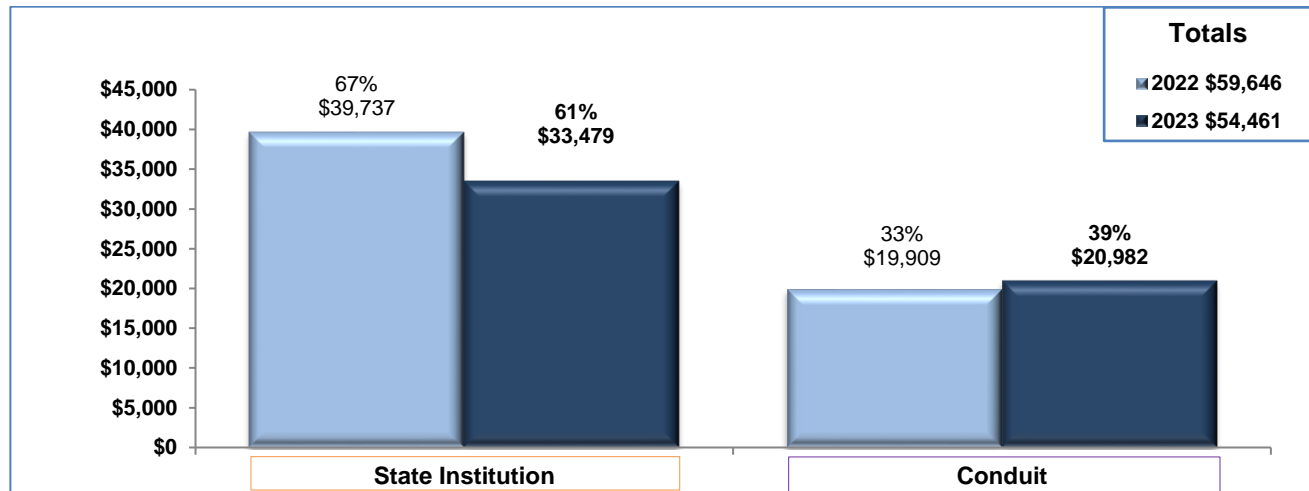
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Bonds and Notes Outstanding by Program as of March 31
(\$in millions)



The following three charts show the rollforward of Bonds and Notes Outstanding as of March 31, 2022 and March 31, 2023. 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.

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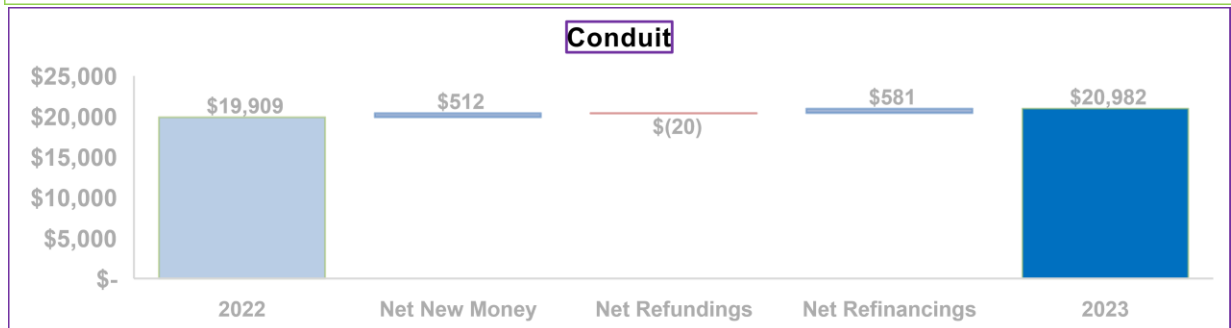
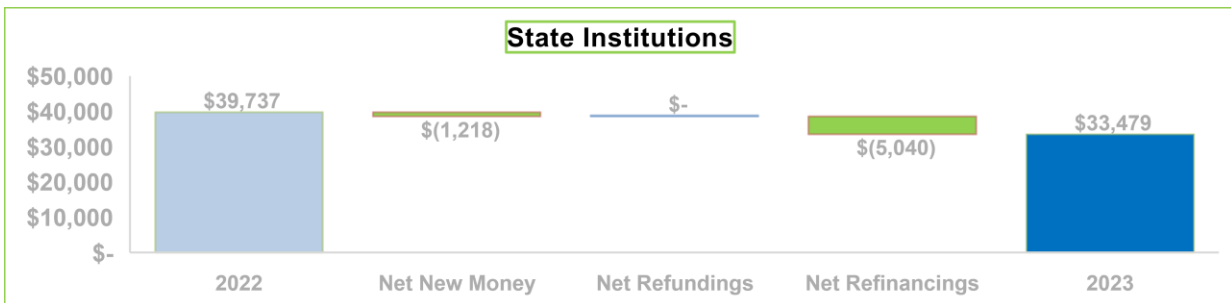
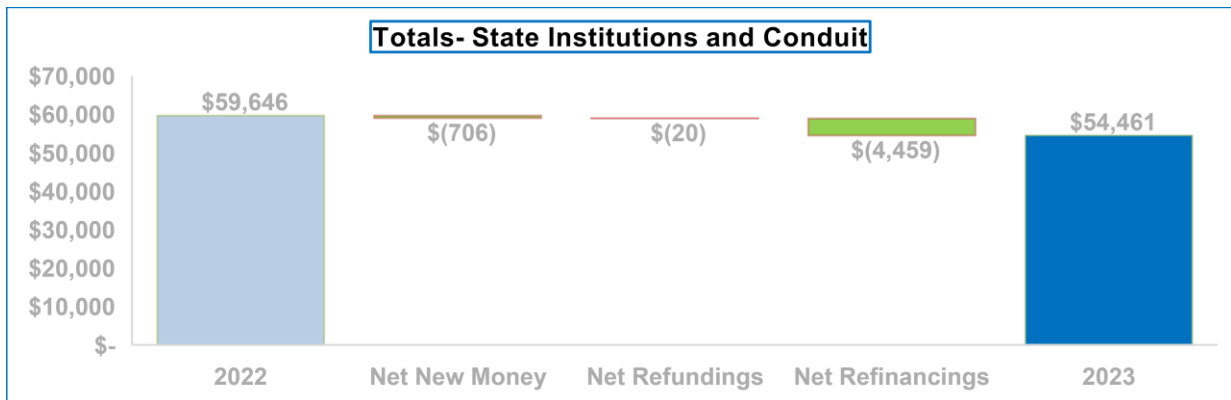
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As shown below, the decrease in Bonds and Notes Outstanding as of March 31, 2023, was due primarily to the increase of Net Refinancings from State institution debt. Consistent with their proportionate share of the total bonds outstanding, State institution debt accounted for all of 2023's decrease in outstanding debt, net of the 5% increase in conduit debt outstanding.

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



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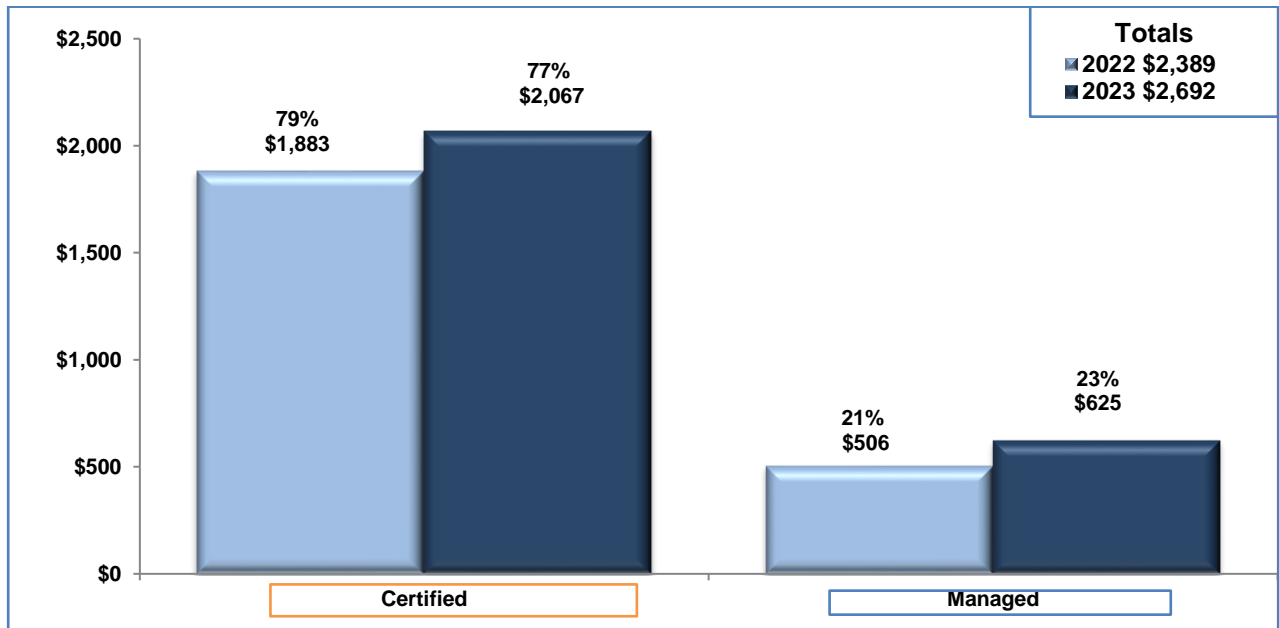
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(Unaudited)

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 (77% in 2023) come from reimbursements to clients for their internally managed projects. From a customer perspective, DASNY's Construction Management activities are concentrated almost all with its public clients. During 2023, increased requests for both reimbursement and vendor payments for projects DASNY manages equally contributed to the overall increase in activity between 2022 and 2023.

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 three quarters of DASNY's Construction Management activities coming from NYS Agencies.

In 2023 and 2022, Certified Construction Disbursements for NYS Agencies and SUNY programs totaled \$2.0 billion and \$1.8 billion, respectively, accounting for approximately 98% and 96% of the Certified Disbursements in each year and over half of each year's total construction disbursements.

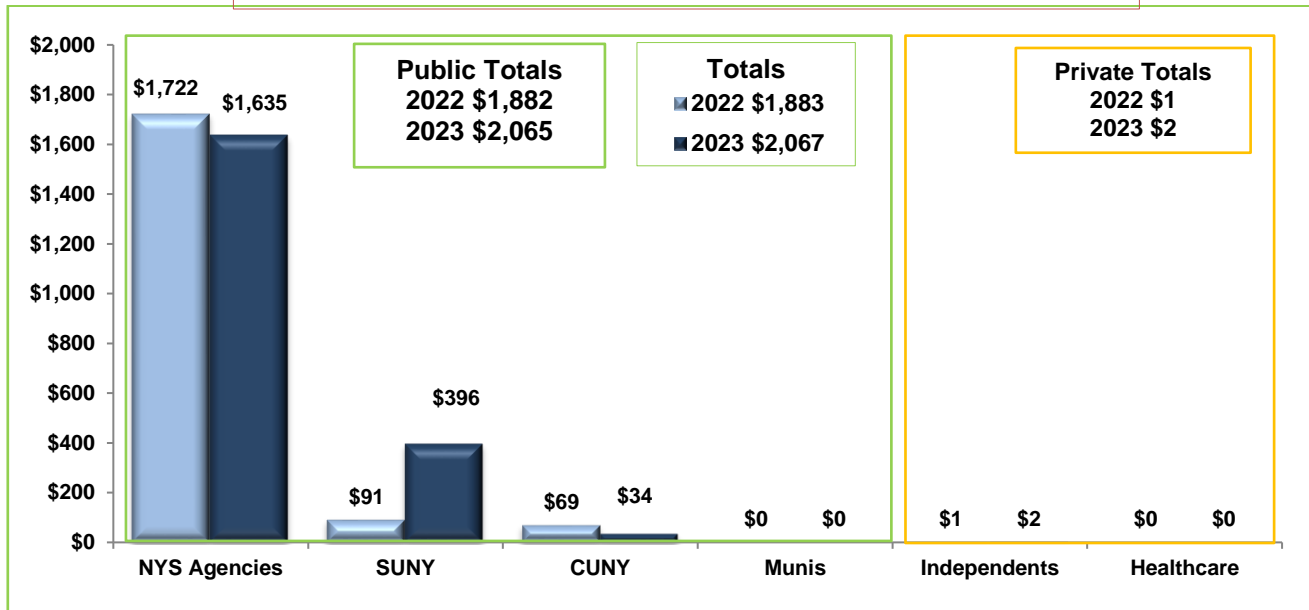
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Certified Construction Disbursements by Program (\$in millions)



While the DASNY-Managed Projects represent only 23% 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. During 2023, construction disbursements for DASNY-Managed Projects increased \$119 million or 24% primarily due to increased project activity in the SUNY program.

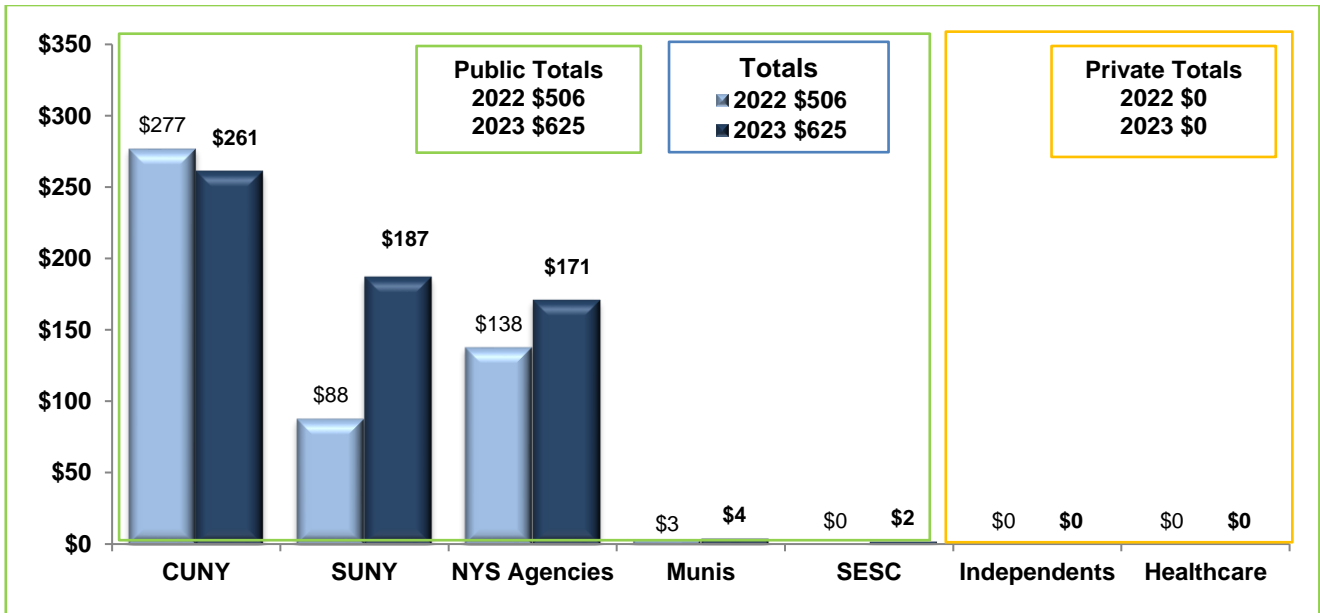
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
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(Unaudited)

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



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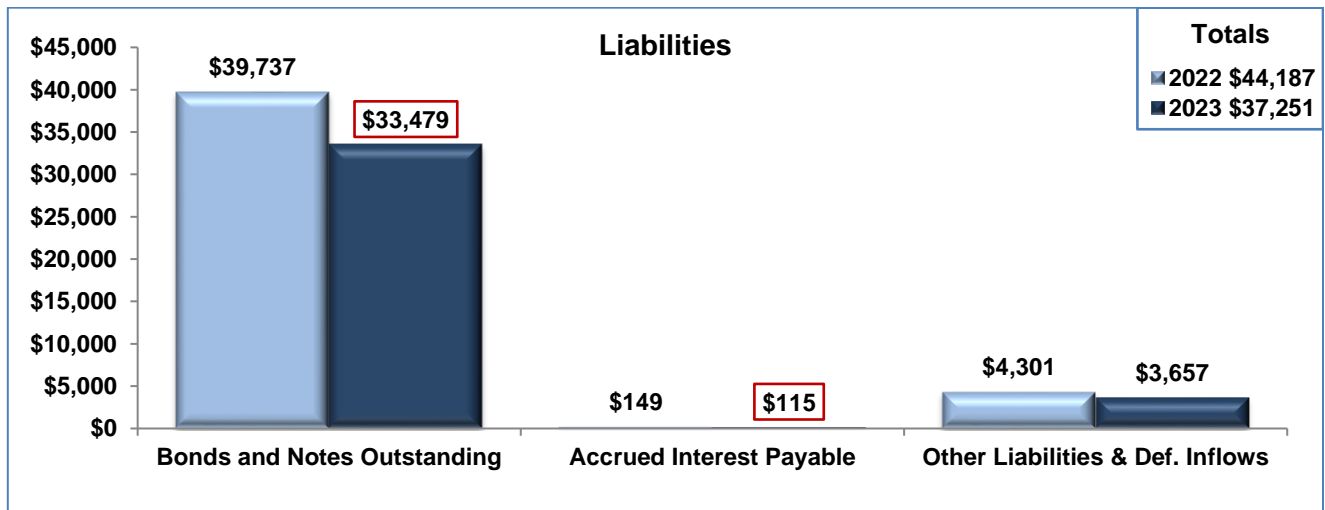
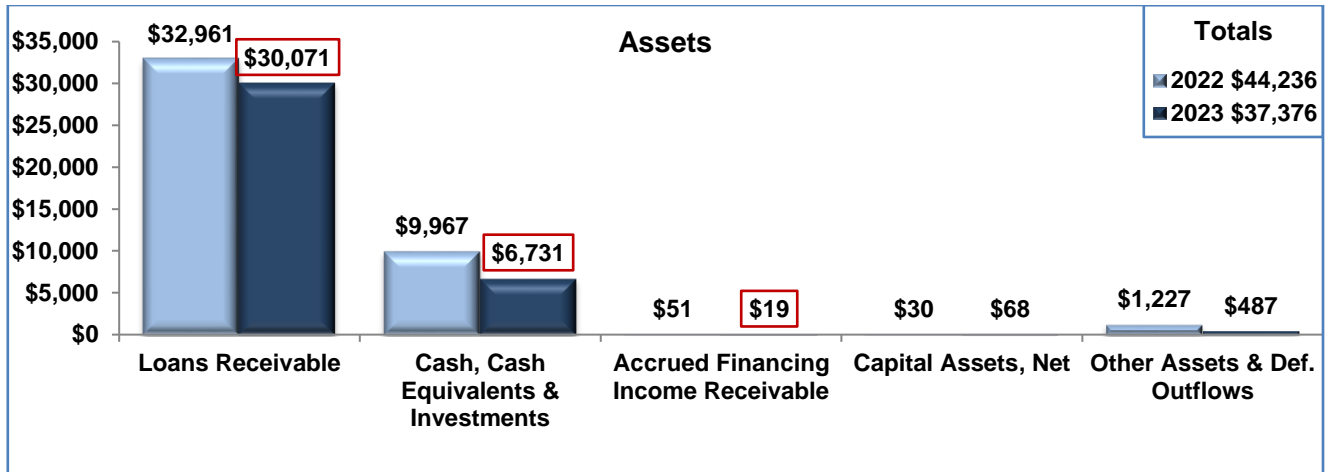
(Unaudited)

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 State institution 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 State institution debt) and Liabilities and almost three-quarters of the Net Position balances. (2022 amounts were restated as a result of the adoption of GASB 91.)

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

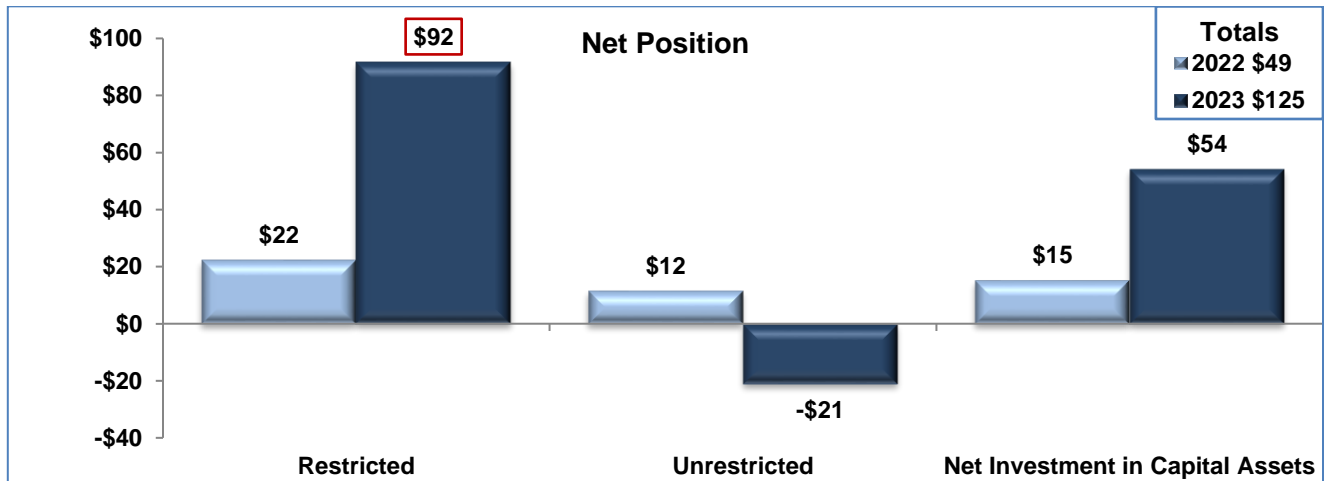


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Assets and Deferred Outflows of Resources

DASNY's assets are comprised primarily of (1) 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, those of its subsidiary Atlantic Avenue Holding Corporation, and its right-to-use lease asset related to its New York City office and (3) Other Assets.

Loans Receivable represents accumulated construction costs for each project, net of principal repayments from State institutions, State institution 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 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 decreased approximately \$3 billion or 32% during 2023 primarily due to no bonds issued during the year and a reduced level of prepayment of debt service by the State at the end of 2023 compared to 2022.

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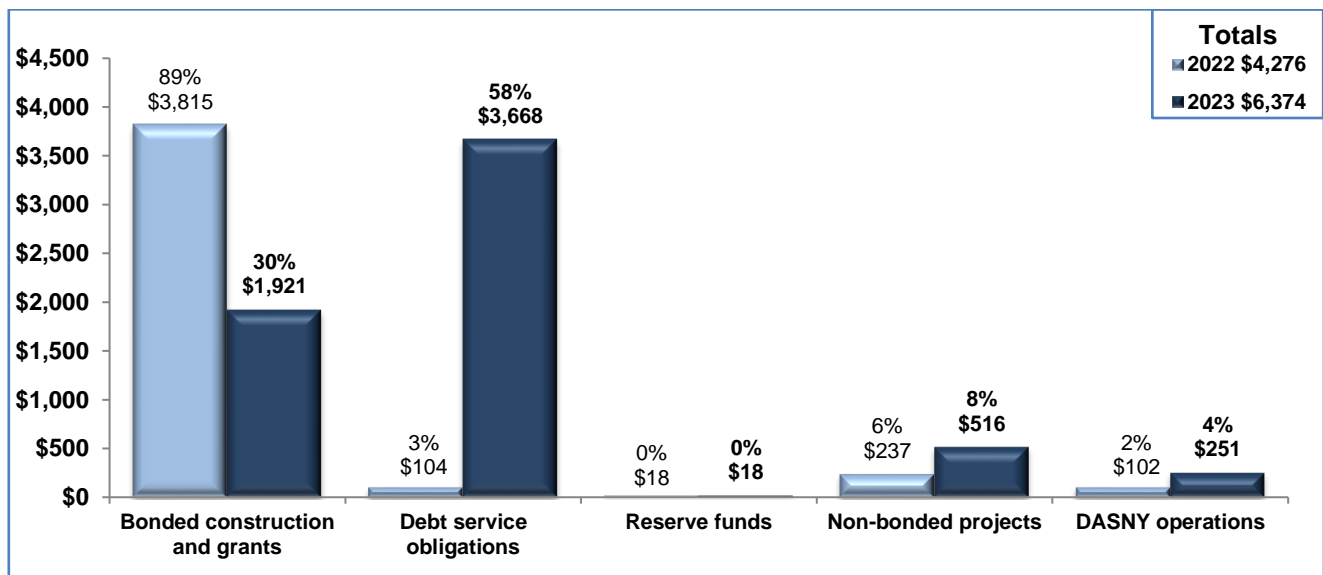
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As highlighted in the chart below, DASNY's investment portfolio consists primarily of (over 85%) funds for (1) construction projects and grant programs financed by DASNY-issued bonds, and (2) debt service obligations. (See note 3 to the basic financial statements for more detailed information.) Investment balances increased by approximately \$2 billion (49%) during 2023 primarily due to prepayment of debt service obligations by the State, offset by disbursements for construction projects and grant programs with no corresponding deposit of new proceeds from bond issuance activity.

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



* An additional \$324 million and \$5.7 billion of money market funds as of March 31, 2023 and 2022, 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 State institutions since the last 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), DASNY's Albany headquarters building, and a right-to-use lease asset primarily related to DASNY's New York City office. 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 State institutions is recorded on the Statement of Net Position as a component of Loans Receivable. (See note 5 to the basic financial statements for more detailed information.)

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Other Assets and Deferred Outflows of Resources include project funds receivables, accrued interest receivable on investments, pensions, deferred outflows of resources related to pensions and postemployment benefits, and other receivables. The balance decreased approximately \$740 million or 60% primarily due to a \$716 million decrease 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, there were no bonds issued in 2023. Deferred outflows of resources decreased by \$25 million primarily related to improvement in the discount rate used to determine Postemployment Benefits Other Than Pensions (OPEB).

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.

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 lease receivables held by DASNY as lessor, postemployment benefits, and unearned fees. The balance decreased approximately \$644 million or 15% primarily due to a \$501 million decrease in Accounts payable and accrued expenses and a \$587 million decrease in Due to New York State for amounts advanced from the State's short term investment pool awaiting reimbursement from bond or note proceeds as a result of no bond issuance activity for the year; which was offset by a \$278 million increase in Unearned financing income due to prepayment of debt service, a \$134 million increase in Amounts held for institutions related to rehabilitation and renovation projects and amounts received from the State for healthcare restructuring loans, and a \$92 million increase in Deferred inflows of resources primarily related to improvement in the discount rate used to determine the OPEB liability.

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 (Deficit) relates to DASNY's operating activities and was negative due to the recording of a \$38.2 million lease liability primarily related to DASNY's New York City office. A corresponding right-to-use lease asset or subscription IT is recorded as a Net Investment in Capital Assets. Other 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 and a right-to-use lease asset related to DASNY's New York City office.

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Statement of Net Position – 2023 Activity

Overall DASNY's Statement of Net Position improved in 2023 due to improvement in short term interest rates. Decreases in assets and liabilities (\$6.9 billion each) were driven by the net decrease in bonds outstanding (issuances of \$0 less retirements of \$8.3 billion), related Loans Receivable, and Cash and Cash Equivalents. Restricted Net Position increased by \$69 million (312%) in 2023 compared with 2022, as restated, primarily due to increased investment income and Net investment in capital assets increased primarily due to the implementation of GASB 87 and 96 and the recording of a right-to-use lease and subscription IT asset.

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 State institutions
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 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 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.

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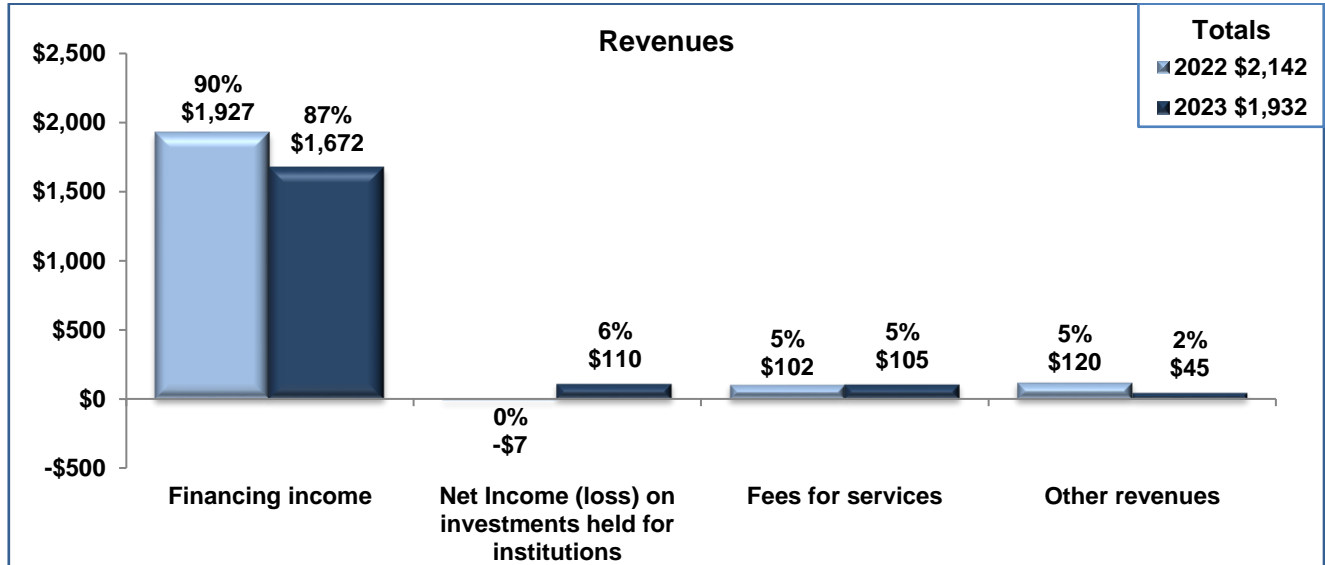
March 31, 2023

(Unaudited)

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 Revenues and Expenses as of March 31 (\$in millions)

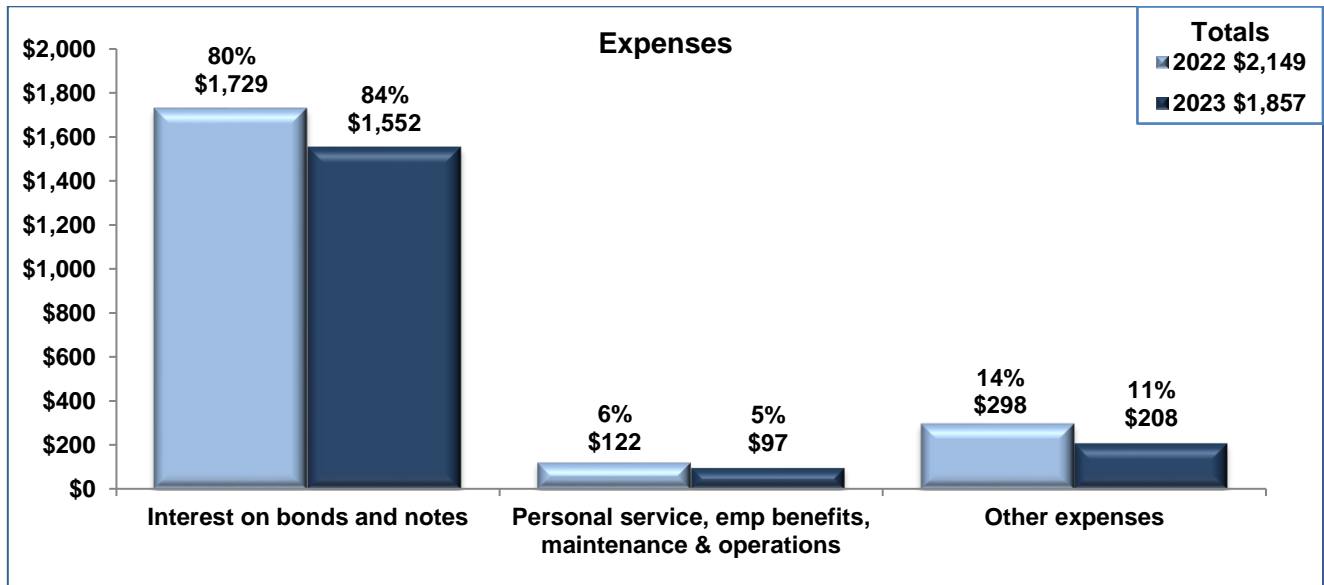


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March 31, 2023

(Unaudited)



Statement of Revenues, Expenses, and Changes in Net Position – 2023 Activity

Financing Income and Interest on Bonds and Notes decreased due to no bond issuance activity during 2023.

Income on Investments held for institutions increased \$117 million, or 1624% primarily due to higher interest rates.

Fees for Services of \$105 million increased \$3 million primarily due to an increase in construction management activity.

Other Revenues decreased \$75 million, or 63% due to a decrease of \$32 million in Contributions of Cash and Investments and a \$42 million decrease in Other Revenue primarily related to reduced allocations associated with Postemployment benefits Other Than Pensions (OPEB) for operating funds.

Personal Service and Employee Benefits, decreased by \$29 million (31%) during 2023, primarily due to lower pension expense due to the plan outperforming expected earnings on pension plan investments, and an increase in the discount rate used to calculate Other Postemployment Benefits Other Than Pensions (OPEB) expense.

Maintenance and Operations Expenses increased \$4.2 million (15%) in 2023, primarily due to higher property and general liability insurance premiums.

Other Expenses decreased \$90 million, or 30% primarily due to a decrease of \$24 million in Reduction of loans receivable due to fewer refundings and redemption of bonds and a \$66 million decrease in Transfers to escrow due to fewer bond refundings and defeasances.

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(Unaudited)

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
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Statement of Net Position

March 31, 2023

(in thousands)

Assets and Deferred Outflows of Resources

Current assets:	
Cash and cash equivalents (note 3)	\$ 357,123
Investments (note 3)	4,263,342
Loans receivable, net (note 4)	382,711
Project funds receivable	63,906
Accrued financing income receivable	18,694
Accrued interest receivable on investments	568
Other receivables (note 2g)	<u>54,322</u>
Total current assets	5,140,666
Investments (note 3)	2,110,779
Loans receivable, net (note 4)	29,688,163
Project funds receivable	81,898
Other receivables (notes 2g and 12)	195,171
Capital assets, net (note 5 and 8)	67,593
Other assets (note 11)	<u>12,122</u>
Total assets	37,296,392
Deferred outflows of resources (note 2j, 11 and 12)	<u>79,727</u>
Total assets and deferred outflows of resources	<u><u>\$ 37,376,119</u></u>

Liabilities and Deferred Inflows of Resources

Current liabilities:	
Accounts payable and accrued expenses	\$ 517,000
Bonds and notes outstanding (notes 6 and 7)	571,970
Accrued interest payable	115,655
Unearned financing income	881,566
Amounts held for institutions (note 6)	354,412
Due to New York State (note 6)	987,291
Current portion of other long-term liabilities (note 6 and 8)	4,844
Unearned fees for services	<u>70,172</u>
Total current liabilities	3,502,910
Bonds and notes outstanding (notes 6 and 7)	32,906,962
Amounts held for institutions (note 6)	424,308
Other long-term liabilities (note 6, 8, and 11)	<u>272,446</u>
Total liabilities	37,106,626
Deferred inflows of resources (note 2j, 8, 11 and 12)	<u>144,795</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 37,251,421</u></u>

Net Position (Deficit)

Net investment in capital assets	\$ 54,104
Restricted	91,596
Unrestricted (note 13)	<u>(21,002)</u>
Total net position	<u><u>\$ 124,698</u></u>

See accompanying notes to basic financial statements.

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Statement of Revenues, Expenses, and Changes in Net Position

Year ended March 31, 2023

(in thousands)

Operating revenues:	
Financing income	\$ 1,672,410
Income on investments held for institutions	109,738
Fees for services	104,780
Contributions of cash and investments	627
Other	44,715
Total operating revenues	1,932,270
Operating expenses:	
Interest on bonds and notes	1,552,468
Amounts returned to institutions	3,912
Reduction of loans receivable due to redemption of bonds	812
Personal service and employee benefits	65,065
Maintenance and operations	32,051
Transfers to escrow	194,394
Other	8,869
Total operating expenses	1,857,571
Operating income	74,699
Nonoperating revenues:	
Income on investments held for DASNY	951
Increase in net position	75,650
Net position, beginning of year, as restated (note 2s)	49,048
Net position, end of year	\$ 124,698

See accompanying notes to basic financial statements.

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
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Statement of Cash Flows

Year ended March 31, 2023

(in thousands)

Cash flows from operating activities:	
Fees for services	\$ 117,582
Amounts received from institutions	663
Project funds received	976,754
Dormitory rent receipts	558,834
Permit and patient income receipts	1,657,062
Special purpose healthcare loan receipts	66,063
Other receipts	1,898
Personal service and employee benefits	(72,923)
Maintenance and operations	(12,227)
Permit and patient income transferred to New York State	(1,602,061)
Project funds disbursed	(846,221)
Dormitory rent disbursements	(460,827)
Amounts returned to institutions	(5,416)
Special purpose healthcare loan disbursements	(14,433)
Other disbursements	(28,460)
	<u>336,288</u>
Net cash provided by operating activities	
Cash flows from noncapital financing activities:	
Amounts transferred to escrow to defease debt	(4,511,646)
Principal repayments of bonds and notes	(1,217,821)
Interest paid on bonds and notes	(1,585,772)
	<u>(7,315,239)</u>
Net cash used in noncapital financing activities	
Cash flows from capital financing activities:	
Principal paid on leases and IT subscriptions	(2,712)
Interest paid on leases and IT subscriptions	(1,114)
Acquisition of property and equipment	(1,588)
	<u>(5,414)</u>
Net cash used in capital financing activities	
Cash flows from investing activities:	
Purchases of investments	(26,728,590)
Proceeds from sales and maturities of investments	24,696,222
Income on investments	49,539
Construction, loan, and other disbursements	(1,948,680)
Principal receipts on loans receivable	3,599,391
Financing income	1,982,469
	<u>1,650,351</u>
Net cash provided by investing activities	
Net decrease in cash and cash equivalents	
	<u>(5,334,014)</u>
Cash and cash equivalents, beginning of year, as restated (note 2s)	<u>5,691,137</u>
Cash and cash equivalents, end of year	<u>\$ 357,123</u>

See accompanying notes to basic financial statements.

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Statement of Cash Flows

Year ended March 31, 2023

(in thousands)

Operating income	\$	74,699
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense		5,497
Interest on bonds and notes		1,552,468
Income on investments held for institutions		(109,738)
Financing income		(1,672,410)
Reduction of loans receivable due to redemption of bonds		812
Investment transfers		2,699
Amounts transferred to escrow to defease debt		194,389
Other expenses		(53,985)
Change in assets and liabilities:		
Increase in loans receivable		(11,501)
Decrease in deferred outflows of resources		24,751
Decrease in project funds receivable		716,452
Decrease in other receivables		3,157
Decrease in accounts payable and accrued expenses and other long-term liabilities, net of construction funds		(76,152)
Decrease in due to New York State		(575,027)
Increase in amounts held for institutions		154,126
Increase in unearned fees for services		14,404
Increase in deferred inflows of resources		91,647
		261,589
Total adjustments		261,589
Net cash provided by operating activities	\$	336,288

See accompanying notes to basic financial statements.

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Notes to Basic Financial Statements

March 31, 2023

(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

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Notes to Basic Financial Statements

March 31, 2023

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

On June 21, 2022, the Social Equity Servicing Corporation (SESC) was established as a subsidiary of DASNY in the form of a public benefit corporation, pursuant to Public Authorities Law section 1678(31). The purpose of SESC is to act, on behalf of itself or as agent, in performing one or more of the duties of DASNY in providing services under Public Officers Law section 1678(30) on behalf of the Office of Cannabis Management, the Cannabis Control Board, and/or a private or debt or equity fund created pursuant to Public Officers Law section 1678(32). SESC is included in these basic financial statements as a blended component unit as DASNY's governing board serves as the governing board of SESC and DASNY management has operational responsibility for SESC.

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.

(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 1,000 separate self balancing accounts, each related to either an individual series of outstanding bonds and notes or an individual operating account.

DASNY's primary operating revenue is financing income, representing interest on indebtedness, received from State institutions. DASNY also recognizes as operating revenue the income on investments held for State institutions, except interest earned on construction account investments. Income on investments in construction accounts is recorded as a reduction to 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 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

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Notes to Basic Financial Statements

March 31, 2023

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 the private debt fund, 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) Loans Receivable

Projects are financed primarily where payments are pledged to the trustee for the benefit of the bondholders, or other agreements, including service contracts and financing agreements with the State, 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 State 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.

Loans Receivable represents accumulated construction costs for projects financed through bond and note issues, net of principal repayments received from State institutions, State institutions 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.

Interest paid from bond proceeds during the construction period, capitalized interest, is recorded as an increase to the receivables. There was no capitalized interest for the fiscal year ended March 31, 2023. Income earned on construction fund investments during the construction period is recorded as a reduction of the receivables. Construction fund investment income was approximately \$1 million for the fiscal year ended March 31, 2023.

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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 State 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. 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, lease receivables where DASNY is the lessor, 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, 2023, DASNY recorded \$264 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 (excluding intangible right-to-use leases and subscription IT assets)

DASNY's capital assets (excluding intangible right-to-use lease and subscription IT 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) Lease and Subscription Right-to-Use Assets and Liabilities

DASNY is a lessee for various noncancellable leases for office space and parking.

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Short-term Leases

For lease arrangements with a maximum possible term of 12 months or less at commencement, DASNY recognizes expense based on the provisions of the lease contract.

Lease arrangements other than short-term

For lease arrangements greater than 12 months, DASNY recognizes a lease or subscription IT liability, respectively, and an intangible right-to-use lease asset or subscription IT asset, respectively.

Measurement of Lease Amounts

At lease commencement, DASNY initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If DASNY is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Subscription IT Amounts

At subscription commencement, DASNY initially measures the subscription IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, less subscription payments made at or before the subscription commencement date, less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the subscription IT asset is amortized into *amortization expense* on a straight-line basis over the shorter of the subscription term or the useful life of the underlying hardware or software.

Key Estimates and Judgments

Key estimates and judgments include how DASNY determines (1) the discount rate it uses to calculate the present value of the expected lease and subscription payments, (2) lease and subscription term, and (3) lease and subscription payments.

- DASNY generally uses the State's estimated incremental borrowing rate as the discount rate for leases and subscription IT arrangements unless the rate that the lessor/vendor charges is known. This incremental borrowing rate is based on the rate of interest the State would need to pay if it issued general obligation bonds to borrow an amount equal to the lease or subscription payments under similar terms at the commencement or remeasurement date.
- The lease or subscription term includes the noncancellable period of the lease or subscription IT arrangement, respectively, plus any additional periods covered by either DASNY or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both DASNY and the

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lessor/vendor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.

- Payments are evaluated by DASNY to determine if they should be included in the measurement of the lease and subscription IT liabilities, including those payments that require a determination of whether they are reasonably certain of being made, (e.g. residual value guarantees, purchase options, payments for termination penalties, and other payments) and subscription IT arrangements (e.g. payments for termination penalties and other payments).

Remeasurement of Lease and Subscription Amounts

DASNY monitors changes in circumstances that may require remeasurement of a lease or subscription IT arrangement. When certain changes occur that are expected to significantly affect the amount of the lease or subscription IT liability, the liability is remeasured and a corresponding adjustment is made to the lease or subscription IT asset, respectively.

Presentation in Statement of Net Position

Lease and subscription IT assets are reported with capital assets and lease and subscription IT liabilities are reported with other long-term liabilities in the Statement of Net Position.

Lease receivable are reported as other receivables and related deferred inflows of resources in the Statement of Net Position.

(j) *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

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to leases receivables held by DASNY as lessor and pension. Deferred inflows of resources related to pension represent various changes in net pension liability (asset) as provided by ERS.

	Deferred outflows of resources	Deferred inflows of resources
OPEB activities	\$ 49,724	101,026
Pension activities	30,003	41,742
Leases	—	2,027
Total	\$ 79,727	144,795

(k) 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.

(l) 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, up to what DASNY holds in bond proceeds account, is included in Due to New York State. 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.

(m) 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.

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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.

(n) *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 \$4.6 million were recorded at March 31, 2023 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 \$4.4 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, 2023. In addition, DASNY is holding the remaining portion of the liability in a reserve established by the Board.

(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 State institutions and bondholders. Monies remaining upon retirement of the bonds and notes are returned to the State 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.

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(s) Recently Adopted Accounting Pronouncements

During fiscal year 2023, DASNY adopted GASB Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, as a lessee, DASNY is required to recognize a lease liability and an intangible right-to-use lease asset, and as a lessor, DASNY is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about DASNY's leasing activities. The impact of adoption of GASB 87 was recognition of Right-of-Use (ROU) assets and a corresponding Lease Liability of \$38.9 million and Lease Receivable and Deferred Inflows of resources of \$2.4 million at April 1, 2022.

During fiscal year 2023, DASNY adopted GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91). GASB 91 clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. As a result of adopting this pronouncement, the following balances were restated:

	March 31, 2022 Published	March 31, 2022 Restated	Change
		(In thousands)	
Assets and Deferred Outflows of Resources			
Current assets:			
Cash and cash equivalents	\$ 5,994,447	5,691,137	(303,310)
Investments	584,973	307,187	(277,786)
Leases and loans receivable, net	2,264,615	621,343	(1,643,272)
Accrued financing income receivable	150,212	51,229	(98,983)
Accrued interest receivable on investments	10,220	6,305	(3,915)
Total current assets	9,004,467	6,677,201	(2,327,266)
Investments	5,145,956	3,968,969	(1,176,987)
Leases and loans receivable, net	49,130,362	32,339,794	(16,790,568)
Total assets	63,280,785	42,985,964	(20,294,821)
Total assets and deferred outflows of resources	\$ 63,280,785	42,985,964	(20,294,821)

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	March 31, 2022 Published	March 31, 2022 Restated	Change
		(In thousands)	
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,073,609	1,017,869	(55,740)
Bonds and notes outstanding	2,932,512	1,289,240	(1,643,272)
Accrued interest payable	422,781	148,593	(274,188)
Unearned financing income	621,624	604,043	(17,581)
Total current liabilities	5,050,526	3,059,745	(1,990,781)
Bonds and notes outstanding	56,713,676	38,447,647	(18,266,029)
Other long-term liabilities	335,412	334,802	(610)
Total liabilities	62,099,614	41,842,194	(20,257,420)
Total liabilities and deferred inflows of resources	\$ 62,099,614	41,842,194	(20,257,420)
Net Position			
Restricted	\$ 59,626	22,225	(37,401)
Total net position	\$ 59,626	22,225	(37,401)

During fiscal year 2023, DASNY adopted GASB Statement No. 96, *Subscription-Based Information Technology ("SBITAs") Arrangements* (GASB 96). GASB 96 defines a SBITA; establishes that a SBITA results in a ROU subscription asset – an intangible asset – and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The impact of adoption of GASB 96 was recognition of ROU subscription assets and a corresponding subscription liability of \$0.7 million at April 1, 2022.

(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;

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- 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, 2023 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

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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, 2023 include \$3.7 billion for debt service payments to be made in the fiscal year ended March 31, 2024 which is restricted by the underlying bond and note resolutions. Also included in investments reported as current at March 31, 2023 are investments held for DASNY operations, nonbond related capital projects and rehabilitation and renovation of projects totaling \$595 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	\$ 1,091,131	17.1 %	\$ 1,007,359	83,772	—
U.S. Treasury bills	1,048,159	16.5	1,048,159	—	—
	<u>2,139,290</u>	<u>33.6</u>	<u>2,055,518</u>	<u>83,772</u>	<u>—</u>
Federal agency, notes and debentures:					
Federal National Mortgage Association (FNMA)	\$ 161,517	2.6	88,268	73,249	—
Federal Home Loan Bank (FHLB)	3,608,892	56.6	3,608,892	—	—
Federal Home Loan Mortgage Corporation (FHLMC)	446,698	7.0	446,698	—	—
Federal Farm Credit Bank (FFCB)	10	—	10	—	—
	<u>4,217,117</u>	<u>66.2</u>	<u>4,143,868</u>	<u>73,249</u>	<u>—</u>
Recorded at cost:					
Certificates of deposit	2,714	—	2,714	—	—
	<u>2,714</u>	<u>—</u>	<u>2,714</u>	<u>—</u>	<u>—</u>
Private Debt Fund:					
New York Social Equity Cannabis Investment Fund, L.P.	15,000	0.2	—	—	15,000
	<u>15,000</u>	<u>0.2</u>	<u>—</u>	<u>—</u>	<u>15,000</u>
Total	<u>\$ 6,374,121</u>	<u>100.0 %</u>	<u>\$ 6,202,100</u>	<u>157,021</u>	<u>15,000</u>

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

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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, 2023, DASNY held approximately \$4.2 billion 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, 2023, DASNY held approximately \$324 million 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, 2023, DASNY had bank deposits of \$49 million of which \$621 thousand was 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, \$16 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, 2023, DASNY held more than 5% of its investments in Federal Home Loan Bank (FHLB) and Federal Home Loan Mortgage Corporation (FHLMC) securities. These investments were 56.6% and 7.0% of the total investment portfolio, respectively, as of March 31, 2023.

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.

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At March 31, 2023, DASNY had the following fair value measurements (in thousands):

	<u>March 31, 2023</u>	<u>Fair value measurement using</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
Investments by fair value level:			
U.S. Treasuries	\$ 2,139,290	651,779	1,487,511
Federal agencies	4,217,117	—	4,217,117
Money market mutual funds	<u>324,076</u>	<u>324,076</u>	<u>—</u>
Total investments measured at fair value	<u>\$ 6,680,483</u>	<u>975,855</u>	<u>5,704,628</u>

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.

Investments 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) Loans Receivable

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

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Loans Receivable at March 31, 2023 consisted of the following (dollars in thousands):

Minimum payments to be received during the fiscal years ending March 31:	
2024	\$ 1,053,018
2025	1,803,845
2026	2,207,692
2027	1,776,531
2028	1,770,547
Thereafter	<u>40,083,636</u>
Total minimum payments receivable	48,695,269
Less future financing income, unexpended bond proceeds, and other credits	<u>18,624,395</u>
Total loans receivable, net	30,070,874
Less current loans receivable, net	<u>382,711</u>
Long-term loans receivable, net	<u><u>\$ 29,688,163</u></u>

Loans receivable financed by bonds and notes are collectible through periodic payments. The collection of this receivable from state related institutions is dependent on the ability of each institution to generate sufficient resources to service its bonds and notes. For state related institutions, payment is dependent upon annual appropriation. In certain situations, various credit structures are in place to reduce 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, 2023.

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(5) Capital Assets

Capital assets, net at March 31, 2023 consisted of the following (dollars in thousands):

	2022	Additions	Deletions	2023
Capital assets:				
Land:				
DASNY	\$ 1,083	—	—	1,083
Atlantic Avenue	715	—	—	715
Buildings:				
DASNY	23,388	—	—	23,388
Atlantic Avenue	31,769	—	(642)	31,127
Equipment – DASNY	19,797	1,430	—	21,227
Total capital assets	76,752	1,430	(642)	77,540
Less accumulated depreciation:				
DASNY	29,050	821	—	29,871
Atlantic Avenue	17,306	1,281	(235)	18,352
Total accumulated depreciation	46,356	2,102	(235)	48,223
Capital assets, net excluding lease and subscription IT assets	\$ 30,396	(672)	(407)	29,317
Lease and subscription IT assets, net (Note 8)				38,276
Total capital assets, net as reported in the statement of net position			\$	67,593

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

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(6) Long-Term Liabilities

DASNY's long-term liabilities as of March 31, 2023, including the current portion, are comprised of the following (in thousands):

	<u>Beginning balance, as restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds and notes payable	\$ 39,736,887	—	(6,257,955)	33,478,932	571,970
Other long-term liabilities:					
Accrued retainage	\$ 42,352	21,713	(14,543)	49,522	2,399
Compensated absences	5,026	—	(355)	4,671	—
Total OPEB liability	291,684	16,953	(124,578)	184,059	—
Other	<u>—</u>	<u>80</u>	<u>—</u>	<u>80</u>	<u>—</u>
Total other long-term liabilities, excluding lease and subscription IT liabilities	<u>\$ 339,062</u>	<u>38,746</u>	<u>(139,476)</u>	238,332	2,399
Lease (as lessee) and subscription IT liabilities (Note 8)				<u>38,958</u>	<u>2,445</u>
Total other long-term liabilities as reported in the statement of net position				<u>\$ 277,290</u>	<u>4,844</u>
Due to New York State	\$ 1,586,588	3,170,369	(3,769,666)	987,291	987,291
Amounts held for institutions	644,591	1,163,974	(1,029,845)	778,720	354,412

(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 State 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

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consequences relevant to outstanding bonds and notes. This includes debt for the State University, City University, and New York State agencies detailed below (dollars in thousands).

	<u>Bonds and notes outstanding</u>	<u>Assets pledged as collateral</u>	<u>Events of default</u>	<u>Termination events</u>	<u>Subjective acceleration clauses</u>
State University:					
Dormitory Facilities (Resolution dated 5/15/13)	\$ 1,917,487	(1)	(9)	(11)	(12)
Educational Facilities (Resolution dated 5/31/89)	795	(2)	(9)	(11)	(12)
Educational Facilities (Resolution dated 9/4/02)	29,780	(2)	(9)	(11)	(12)
Educational Facilities (PIT Education Resolution dated 7/24/02)	82,870	(3)	(10)	(11)	(13)
Educational Facilities (PIT General Purpose Resolution dated 4/29/09)	6,486,955	(3)	(10)	(11)	(13)
Educational Facilities (Sales Tax Resolution dated 9/11/13)	1,672,135	(4)	(10)	(11)	(13)
Upstate Community Colleges (Resolution dated 1/26/05)	4,265	(5)	(9)	(11)	(12)
Upstate Community Colleges (PIT Education Resolution dated 7/24/02)	5,600	(3)	(10)	(11)	(13)
Upstate Community Colleges (PIT General Purpose Resolution dated 4/29/09)	482,465	(3)	(10)	(11)	(13)
Upstate Community Colleges (Sales Tax Resolution dated 9/11/13)	<u>132,625</u>	(4)	(10)	(11)	(13)
Total State University	<u>10,814,977</u>				
City University:					
City University (Resolution dated 1/22/03)	13,595	(6)	(9)	(11)	(12)
City University (PIT Education Resolution dated 7/24/02)	53,390	(3)	(10)	(11)	(13)
City University (PIT General Purpose Resolution dated 4/29/09)	3,663,730	(3)	(10)	(11)	(13)
City University (Sales Tax Resolution dated 9/11/13)	<u>864,570</u>	(4)	(10)	(11)	(13)
Total City University	<u>4,595,285</u>				
New York State Agencies:					
Department of Health (Resolution dated 7/18/90)	68,455	(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)	13,811,380	(3)	(10)	(11)	(13)
Multiple Purposes (Sales Tax Resolution dated 9/11/13)	3,745,065	(4)	(10)	(11)	(13)
Employer Assessment (Resolution dated 10/9/13)	<u>251,725</u>	(8)	(9)	(11)	(14)
Total New York State Agencies	<u>18,068,670</u>				
Total bonds and notes outstanding	<u>\$ 33,478,932</u>				

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% 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

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appropriated, the State Comptroller is required to transfer from the State's General Fund amounts necessary to meet the cash requirements.

- (4) A statutory allocation of 2% 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.
- (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.

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- (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.

As of March 31, 2023, DASNY has approximately \$33 billion of State institution bonds and notes outstanding, this amount includes no direct placements.

The following summarizes State institution bonds and notes outstanding on March 31, 2023, by primary security feature (dollars in thousands):

Payable from state and local government appropriations, state service contracts or designated income funds	\$	31,309,720
Backed by pledged assets and revenues or payments		2,169,212
Total	\$	33,478,932

Publicly offered fixed rate bonds are due in various installments through fiscal year ending March 31, 2052. Publicly offered fixed rate bonds bear interest at rates currently ranging from 0.644% to 5.652%.

DASNY issues debt on behalf of the State. 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 institutions are not considered conduit debt.

(b) Maturities of Bonds and Notes

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

	Principal	Interest	Total
Fiscal year ends March 31:			
2024	\$ 571,970	1,484,926	2,056,896
2025	556,540	1,454,315	2,010,855
2026	1,111,030	1,428,101	2,539,131
2027	548,230	1,374,852	1,923,082
2028	2,135,990	1,344,557	3,480,547
2029–2033	9,044,349	5,439,125	14,483,474
2034–2038	7,705,401	3,492,793	11,198,194
2039–2043	6,062,597	1,951,771	8,014,368
2044–2048	4,549,130	767,534	5,316,664
2049–2052	1,193,695	77,242	1,270,937
Total	\$ 33,478,932	18,815,216	52,294,148

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Bonds and notes above reflect the stated maturity dates for all bonds and notes outstanding as of March 31, 2023.

(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, 2023, was approximately \$152 million.

(d) Conduit Debt

To further DASNY's mission, as described in Footnote (1), DASNY has issued bonds that meet the definition of a conduit debt obligation. As detailed in the chart below, those bonds have provided Healthcare Facilities, Independent Institutions, and Municipal Facilities with access to capital to finance, design, construct, purchase, reconstruct, and/or rehab buildings. 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. As of March 31, 2023, DASNY debt includes approximately \$21 billion of conduit debt obligations, none of which are included in its basic financial statements.

	Bonds and notes outstanding
Conduit debt:	
Healthcare Facilities:	
Conduit debt publicly offered	\$ 4,445,805
Conduit debt direct placement	<u>693,102</u>
Total Healthcare Facilities	<u>5,138,907</u>
Independent Institutions:	
Conduit debt publicly offered	10,414,100
Conduit debt direct placement	<u>1,047,914</u>
Total Independent Institutions	<u>11,462,014</u>

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	<u>Bonds and notes outstanding</u>
Municipal Facilities:	
Conduit debt publicly offered	\$ 4,234,794
Conduit debt direct placement	<u>146,092</u>
Total Municipal Facilities	<u>4,380,886</u>
Total conduit debt	<u>\$ 20,981,807</u>

(8) Leases and Similar Subscription-Based Information Technology Arrangements

As discussed in note 2(i), DASNY is a lessee for various noncancellable leases of office space and parking. DASNY also has noncancellable subscription arrangements (similar to a lease) for the right-to-use various information technology software (subscription IT arrangements).

Intangible right-to-use lease and subscription IT assets

DASNY's lease (as lessee) and subscription IT assets as of March 31, 2023, including the current portion, are comprised of the following (in thousands):

	Beginning balance, as restated	Additions	Deletions	Ending balance
Lease assets:				
Office space	\$ 34,679	1,369	—	36,048
Parking	<u>4,267</u>	<u>—</u>	<u>—</u>	<u>4,267</u>
Total lease assets	<u>38,946</u>	<u>1,369</u>	<u>—</u>	<u>40,315</u>
Less accumulated amortization:				
Lease assets:				
Office space	—	2,471	—	2,471
Parking	<u>—</u>	<u>277</u>	<u>—</u>	<u>277</u>
Total accumulated amortization	<u>—</u>	<u>2,748</u>	<u>—</u>	<u>2,748</u>
Total lease assets, net	<u>38,946</u>	<u>(1,379)</u>	<u>—</u>	<u>37,567</u>

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	Beginning balance, as restated	Additions	Deletions	Ending balance
Subscription IT assets	\$ 664	692	—	1,356
Less accumulated amortization	—	647	—	647
Subscription IT assets, net	664	45	—	709
Total leases and subscription IT assets, net	\$ 39,610	(1,334)	—	38,276

Lease and subscription IT liabilities

A summary of changes in the related lease and subscription IT liabilities during the year ended March 31, 2023 is as follows (in thousands):

	Beginning balance, as restated	Additions	Deletions	Ending balance	Due within one year
Lease Liabilities	\$ 38,946	1,368	(1,994)	38,320	2,067
Subscription IT liabilities	664	692	(718)	638	378
Total	\$ 39,610	2,060	(2,712)	38,958	2,445

DASNY's future annual payments for lease (as lessee) and subscription IT arrangements are as follows (in thousands):

	Principal amount	Interest amount	Total
Year ending March 31,			
2024	\$ 2,445	1,070	3,515
2025	2,388	1,005	3,393
2026	2,234	940	3,174
2027	2,489	873	3,362
2028	2,570	801	3,371
2029-2033	14,577	2,837	17,414
2034-2038	12,131	662	12,793
2039-2043	124	2	126
	\$ 38,958	8,190	47,148

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Variable lease and subscription payments

Variable lease and subscription payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease and subscription IT liability. Such amounts are recognized as lease expense or subscription expense, respectively, in the period in which the obligation for those payments is incurred. DASNY does not have any leases with partial or completely variable payments.

Certain subscription IT arrangements require DASNY to make variable subscription payments. These variable payments are based on amounts under management, or the dollar amount of the projects used with the software. The amounts recognized as outflows (expense) for variable IT subscription payments not included in the measurement of the subscription IT liabilities was \$1.2 million during the year ending March 31, 2023.

DASNY as Lessor

As discussed in note 2(i), DASNY is a lessor for a noncancellable lease of office space and parking. DASNY does not have any leases as a lessor with partial or completely variable payments. For the year ended March 31, 2023, DASNY earned a total of \$399 thousand in lease revenue and \$48 thousand in lease interest revenue.

Lease receivable principal and interest requirements to maturity are as follows (in thousands):

	Principal amount	Interest amount	Total
Year ending March 31,			
2024	\$ 386	40	426
2025	395	31	426
2026	404	23	427
2027	412	14	426
2028	421	6	427
2029-2033	36	—	36
	<u>\$ 2,054</u>	<u>114</u>	<u>2,168</u>

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The remaining amounts reported as deferred inflows of resources related to leases as lessor will be recognized in future rent income for the fiscal years ending March 31 as follows (in thousands):

2024	\$	399
2025		399
2026		399
2027		399
2028		399
2029-2033		32
Total	\$	2,027

(9) Debt Refundings

DASNY has issued bonds on behalf of various state related institution 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, 2023, revenue bonds of approximately \$5.4 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.

(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 \$2.0 billion at March 31, 2023.

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(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.

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(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.

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 16.2% was applicable to the annual covered payroll for the year ended March 31, 2022. DASNY's required contribution for the fiscal year ended March 31, 2023 was \$5.7 million and was 100% of the contribution required.

(iv) *Net Pension Liability (Asset)*

	Beginning balance	Additions	Deletions	Ending balance
Net Pension Liability (Asset) \$	146	3,154	(15,422)	(12,122)

DASNY's proportionate share of the Systems' net pension liability (asset) reported as of March 31, 2023 was (\$12.1) million. The net pension liability (asset) was measured as of March 31, 2022. DASNY's proportion of the net pension liability (asset) 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, 2022, DASNY's proportion of the net pension liability was 0.15%, which is consistent with the percentage at the March 31, 2021 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.

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(v) *Actuarial Information*

The total pension liability for the March 31, 2022, measurement date was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022. 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, 2022 are summarized below:

Asset	Target Allocation	Long-term expected real rate of return
Domestic equity	32 %	3.30 %
International equity	15	5.85
Private equity	10	6.50
Real estate	9	5.00
Opportunistic/ARS portfolio	3	4.10
Credit	4	3.78
Real assets	3	5.80
Fixed income	23	—
Cash	1	(1.00)
	100 %	

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The discount rate used to calculate the total pension liability at March 31, 2022 was 5.9%, the same rate used at the March 31, 2021 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 (asset) 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)	\$ 31,202	(12,122)	(48,360)

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

At March 31, 2023, 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	\$ 918	1,191
Changes of assumptions	20,230	341
Net difference between projected and actual earnings on plan investments	—	39,695
Changes in proportion and differences between DASNY contribution and proportionate share of contributions	3,150	515
Contributions subsequent to the measurement date	5,705	—
Total deferred outflows/inflows of resources	\$ 30,003	41,742

Deferred outflows of resources of \$5.7 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, 2024.

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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):

2023		\$	(2,028)
2024			(3,790)
2025			(9,836)
2026			<u>(1,790)</u>
Total		\$	<u><u>(17,444)</u></u>

(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, 2023 is \$1.8 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, 2023 is \$135 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

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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 877 participants consisting of 454 current employees, 1 retirees entitled to benefits under DASNY but not yet receiving, and 422 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, 2023, the portion of the OPEB expense allocable to certain public clients was 93% and will be paid from future fees to be collected. A receivable in the amount of \$175.7 million is included in Other Receivables—noncurrent in the Statement of Net Position at March 31, 2023. 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, 2023, with \$9.9 million of the allocation remaining unfunded from client program operating funds for the related changes in the OPEB liability.

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(c) Actuarial Assumptions and Other Inputs

The total OPEB liability as of March 31, 2023 was measured as of March 31, 2022 and determined by a valuation as of March 31, 2022. The measurement of the total OPEB liability at March 31, 2023 used the following actuarial assumptions:

Valuation date	March 31, 2022
Inflation	2.50%
Salary increase rate	3.30% per year
Discount rate	3.46%
Healthcare cost trend rates	5.65% for 2023, decreasing to an ultimate rate of 4.5% for 2029 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 Society of Actuaries Mortality Improvement Scale (MP-2021 report published in October 2021).

(d) Accounting Information

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

	Total OPEB liability
	(In thousands)
Total OPEB Liability, beginning balance	\$ 291,684
Service cost	11,722
Interest	5,231
Changes in assumptions	(117,341)
Experience (Gain)/Loss	(1,664)
Benefit payments	(5,573)
	<u>(107,625)</u>
Net changes	<u>(107,625)</u>
Total OPEB Liability, ending balance	<u>\$ 184,059</u>

Changes of assumptions and other inputs include a change in the discount rate from 1.74% in the prior year to 3.46% in the current year. The increase in the discount rate used to value the liability accounts for a \$117 million decrease in the liability.

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(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	Current rate	1% Increase
	2.46%	3.46%	4.46%
Total OPEB Liability	\$ 215,844	184,059	158,699

(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	\$ 157,867	184,059	217,267

DASNY recognized \$3.9 million in expenses related to OPEB for the year ended March 31, 2023. At March 31, 2023, DASNY reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	\$ 44,163	94,927
Differences between expected and actual experience	—	6,099
Employer contributions subsequent to measurement date	5,561	—
Total	\$ 49,724	101,026

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

2024	\$	(13,399)
2025		(13,945)
2026		(14,195)
2027		<u>(15,324)</u>
Total	\$	<u><u>(56,863)</u></u>

(13) Unrestricted Net Position (Deficit)

Unrestricted Net Position (Deficit) includes amounts that are not appropriable for operating expenses and are Board designated for a specific future use. Designations at March 31, 2023 are as follows (in thousands):

Designated:

Health care institution assistance	\$	26,537
Advance funding new projects		5,000
Coverage for financial risks associated with directors and officers liability insurance policies		1,628
Women/Minority Business Enterprises capital access, training and development		3,167
Reserve for replacement of corporate facilities		5,853
Reserve for 21st Century Technology Transformation		1,733
Reserve for Evolution		<u>1,222</u>
Total designated		45,140

Undesignated ⁽¹⁾

		<u>(66,142)</u>
Total net position (deficit) unrestricted	\$	<u><u>(21,002)</u></u>

- (1) This negative undesignated balance is mainly 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. Additionally, \$20.2 million of the negative undesignated balance is mainly due to the increase of net investment in capital assets as a result of the adoption of GASB 87 and 96 in 2023, which will be offset by future amortization of the right-to-use lease and subscription IT assets.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Required Supplementary Information

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

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
DASNY's proportion of the net pension liability	0.15 %	0.15 %	0.15 %	0.15 %	0.15 %	0.15 %	0.15 %	0.15 %	0.15 %
DASNY's proportionate share of the net pension liability (asset)	(12,122)	146	40,294	11,133	4,686	13,797	24,119	5,259	7,035
Covered payroll	50,173	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	(0.24)%	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	103.7 %	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
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Required Supplementary Information
Schedule of Pension Contributions
New York State and Local Employees' Retirement System (Unaudited)
(Dollars in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,704	\$ 8,380	\$ 7,297	7,230	7,232	6,805	6,875	7,716	7,980
Contributions in relation to the contractually required contribution	<u>(5,704)</u>	<u>(8,380)</u>	<u>(7,297)</u>	<u>(7,230)</u>	<u>(7,232)</u>	<u>(6,805)</u>	<u>(6,875)</u>	<u>(7,716)</u>	<u>(7,980)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Covered payroll	\$ 48,508	\$ 50,173	\$ 52,890	52,380	52,200	51,472	46,666	45,656	44,162
Contributions as a percentage of covered payroll	11.76 %	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.

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Required Supplementary Information

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

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability:					
Service cost	\$ 11,722	\$ 8,171	7,450	7,584	6,895
Interest	5,231	6,885	7,017	7,238	7,086
Differences between expected and actual experience	(1,664)	—	(10,662)	—	—
Changes in assumptions	(117,341)	53,200	21,422	(6,985)	7,436
Benefit payments	<u>(5,573)</u>	<u>(5,166)</u>	<u>(4,941)</u>	<u>(4,708)</u>	<u>(4,838)</u>
Net change in total OPEB liability	(107,625)	63,090	20,286	3,129	16,579
Total OPEB liability, beginning	<u>291,684</u>	<u>228,594</u>	<u>208,308</u>	<u>205,179</u>	<u>188,600</u>
Total OPEB liability, ending	<u>\$ 184,059</u>	<u>\$ 291,684</u>	<u>228,594</u>	<u>208,308</u>	<u>205,179</u>
Net position as a percentage of total OPEB liability	67.7 %	16.8 % ⁽¹⁾	39.0 %	83.8 %	118.0 %
Covered-employee payroll	\$ 56,173	\$ 52,890	52,380	52,200	51,472
Total OPEB liability as a percentage of covered-employee payroll	327.7 %	551.5 %	436.4 %	399.1 %	398.6 %

⁽¹⁾ Calculated with the restated net position.

Changes in benefit terms. There were no significant changes in benefits for the March 31, 2018, 2020 and 2022 actuarial valuation.

Changes in assumptions

The salary increase rate was updated from 3.00% in 2022 to 3.3% in 2023.

The discount rate was updated from 1.74% in 2022 to 3.46% in 2023.

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.