FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Financial Statements

June 30, 2019

(With Independent Auditors' Report Thereon)

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Directors
Fort Schuyler Management Corporation:

We have audited the accompanying consolidated financial statements of Fort Schuyler Management Corporation, which comprise the consolidated balance sheet as of June 30, 2019 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fort Schuyler Management Corporation as of June 30, 2019, and the results of its activities and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Emphasis of Matters

Related Party Transactions

As discussed in notes 1 and 2 to the accompanying consolidated financial statements, the Corporation has had significant transactions with related parties. Whether the terms of these transactions would have been the same had they been between unrelated parties cannot be determined. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Standards

As discussed in note 2(l) to the financial statements, the Corporation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*, ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* and ASU No. 2016-18, *Restricted Cash,* during the year ended June 30, 2019. Our opinion is not modified with respect to these matters.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included on page 18 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements as a whole.

KPMG LLP

Albany, New York
August 6, 2020

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Balance Sheet

June 30, 2019

Assets		
Cash	$	1,044,003
Due from member		142,371
Rent and deferred rent receivable		3,467,941
		4,654,315
Assets limited as to use:		
Under grant agreements		99,264,723
By debt agreements		874,990
		100,139,713
Land, buildings and equipment, net		47,656,660
Total assets	$	152,450,688
Liabilities and Net Assets		
Liabilities:		
Construction and other expenses payable	$	19,453,521
Deferred rental revenue		953,160
Loan agreements payable		37,524,025
Unearned grant funds		73,064,270
Interest rate swap		16,577
Total liabilities		131,011,553
Commitments and contingencies (notes 4, 5, 6, and 10)		
Net assets:		
Net assets without donor restrictions		21,439,135
Net assets with donor restrictions		—
Total net assets		21,439,135
Total liabilities and net assets	$	152,450,688

See accompanying notes to consolidated financial statements.

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Statement of Activities

Year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Rental income and other support	$ 6,058,539	—	6,058,539
Grants and other contributions	2,300,000	92,043,741	94,343,741
Net assets released from restrictions	94,434,139	(94,434,139)	—
Total support and revenue	102,792,678	(2,390,398)	100,402,280
Expenses:			
Contracted services	627,676	—	627,676
Utilities, repairs and maintenance	1,646,290	—	1,646,290
Rent	2,366,444	—	2,366,444
Insurance and other	1,545,743	—	1,545,743
Professional fees	737,732	—	737,732
Interest	1,655,115	—	1,655,115
Depreciation and amortization	17,147,365	—	17,147,365
Economic development project costs, net	107,844,156	—	107,844,156
Transfers to the Research Foundation for The State University of New York	862,975	—	862,975
Total expenses and transfers	134,433,496	—	134,433,496
Decrease in net assets, before other changes in net assets	(31,640,818)	(2,390,398)	(34,031,216)
Other changes in net assets:			
Change in fair value of interest rate swap	(922,550)	—	(922,550)
Change in net assets	(32,563,368)	(2,390,398)	(34,953,766)
Net assets, beginning of year	54,002,503	2,390,398	56,392,901
Net assets, end of year	$ 21,439,135	—	21,439,135

See accompanying notes to consolidated financial statements.

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Statement of Cash Flows

Year ended June 30, 2019

Operating activities:	
Change in net assets	$ (34,953,766)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Grants restricted to long-term capital investment	(91,341,366)
Change in value of interest rate swap	922,550
Depreciation and amortization	17,563,798
Economic development cost	107,844,156
Transfers to the Research Foundation for The State University of New York	862,975
Change in operating assets and liabilities:	
Due from member	(98,279)
Grants and other receivables and other assets	(197,012)
Accounts payable	(673,678)
Accrued interest payable	(18,399)
Deferred rental revenue	(97,272)
Unrecognized grant funds	(702,375)
Net cash provided by operating activities	(888,668)
Investing activities:	
Cash paid for construction and project development	(97,377,476)
Cash proceeds from sale of equipment	2,250,000
Net cash used in investing activities	(95,127,476)
Financing activities:	
Payments on amended loan agreement	(7,968,000)
Payments on supplemental loan note	(77,402)
Payments on loan agreement	(1,613,361)
Transfers to the Research Foundation for The State University of New York	(862,975)
Cash received from grants restricted for long-term capital investment and debt service	91,794,334
Net cash provided by financing activities	81,272,596
Change in cash and cash equivalents and restricted cash and cash equivalents	(14,743,548)
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	115,927,264
Cash and cash equivalents and restricted cash and cash equivalents, end of year	$ 101,183,716
Supplemental disclosure of noncash transactions:	
Cash and cash equivalents included in assets limited as to use	$ 100,139,713
Cash paid for interest	1,242,080

See accompanying notes to consolidated financial statements.

(1) Organization

Fort Schuyler Management Corporation (the Corporation) is a New York not-for-profit corporation incorporated on October 20, 2009 under Section 402 of the New York State Not-for-Profit Corporation Law. The founding members of the Corporation are The Research Foundation for The State University of New York (the Research Foundation) and the SUNY Polytechnic Institute Foundation.

The Corporation was formed and shall be operated exclusively for scientific, educational, economic development, and charitable purposes. Its objectives are to facilitate research and economic development activities in support of the research and educational mission of The State University of New York (SUNY). The Corporation accomplishes this objective by purchasing, constructing, developing, managing and leasing facilities and promoting the research therein, which supports the economic development, research activities, and the mission of SUNY and SUNY Polytechnic Institute (SUNY Poly).

Under the Corporation's bylaws, the New York State Urban Development Corporation (d/b/a Empire State Development) (ESD), an entity affiliated with New York State, has the right to recommend the appointment of two board directors and consent to the appointment of three additional directors at large. Further, ESD's President and CEO serves as a non-voting, non-fiduciary advisory representative to the Corporation's board of directors.

In December 2019, the New York Center for Research, Economic Advancement, Technology, Engineering and Science (NY CREATES) was formed and became the sole member of both the Corporation and Fuller Road Management Corporation (FRMC). The two members of NYCREATES are the Research Foundation and SUNY Polytechnic Institute Foundation. Similar to the Corporation, prior to the formation of the NYCREATES, the Research Foundation and SUNY Polytechnic Foundation had also been the members of FRMC. The Corporation's Articles of Incorporation and By-laws were amended to reflect this change. The change in corporate structure did not have an effect on the financial operations of the Corporation.

Effective June 2, 2014, the Corporation formed Quad C Phase I, LLC for which the Corporation is the sole member. Quad C Phase I, LLC is a New York limited liability company formed to support the financing infrastructure necessary for the Quad C Building project. All transactions between the Corporation and Quad C Phase I, LLC have been eliminated in the accompanying consolidated financial statements.

In order to advance its corporate purpose, the Corporation has undertaken or completed the following activities since its inception:

- *Quad C Building (Quad C/Nano Utica)* – This 252,000 square foot facility contains class 1,000 and class 100 cleanrooms. The construction of the building was funded by various grants and a loan.
- *Buffalo High-Tech Manufacturing Complex (Buffalo High-Tech or Riverbend)* – This is a high-tech complex located in Buffalo that is leased to Silevo, LLC, an affiliate of Tesla, a clean energy company. Tesla uses it for advanced manufacturing. This project was funded by grants from ESD and the Dormitory Authority of the State of New York (DASNY).
- *Buffalo Medical Innovation and Commercialization Hub (Buffalo Medical)* – This is a state-of-the-art shared user facility for biomedical research, development and testing. This project is located in an existing facility in spaces both leased and purchased by the Corporation in Buffalo and is leased to AMRI. The project was funded by grants from ESD.

- *High-Tech Manufacturing Facility (Syracuse High-Tech)* – This is a high-tech manufacturing facility located in Syracuse. In 2019, improvements to accommodate the requirements of NexGen, which is leasing the facility, were completed. This project was funded by a grant from ESD.
- *Buffalo Information Technologies and Commercialization Hub (Buffalo Info)* – This is a purchased space in an existing facility that houses a research facility leased to IBM. IBM uses the space to create cutting edge software for energy, health and defense industries. This project was funded by a grant from ESD.
- *North Country Hub for Innovative Manufacturing Nanotechnology (Plattsburgh Tech)* – In 2017 design commenced on the construction and equipping of the first industrial scale 3D printing manufacturing facility in the world, to be leased by Norsk. The facility is located in Plattsburgh. Construction began in the fall of 2019, with a target completion date of mid 2020. This project is funded by grants from ESD.
- *Pharmaceutical Manufacturing* – The first phase of this project was offices and labs, located in Buffalo, which are leased to Athenex, Inc. This phase was funded by grants from ESD to the Corporation. The second phase is the construction of a manufacturing facility located in Dunkirk. The funding of this phase is being provided by ESD directly to Athenex.

(2) Summary of Significant Accounting Polices

(a) Basis for Presentation

The accompanying financial statements of the Corporation are presented consistent with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities* (ASC 958), which addresses the presentation of financial statements for not-for-profit entities.

As more fully described in note 2(l), in 2019 the Corporation adopted Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*, which establishes the reporting requirements for net asset classification requirements under ASC 958. In accordance with the provisions of ASC 958, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor and grantor imposed restrictions. Accordingly, net assets without donor restrictions are amounts not subject to donor and grantor imposed restrictions and are otherwise available for operations. Net assets with donor restrictions are grant or donor restricted net assets whose use has been limited to a specific time period or purpose. When a donor or grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

(b) Assets Limited as to Use

Assets limited as to use represent funds associated with grants and loan agreements that are restricted as to use, and consist of cash.

For presentation of the statement of cash flows, cash and cash equivalents included in assets limited as to use are considered restricted and are reported in the beginning and ending cash balances. See note 2(l).

(c) Land, Buildings and Equipment

Land, buildings (inclusive of condominium units and permanent fixtures) and equipment (inclusive of major movable and fixed equipment and furniture and other improvements) are stated at cost or, if acquired by gift, at fair market value at the date of donation. Upon acquisition or construction of an asset and subsequent placement into service, the Corporation recognizes depreciation on buildings and equipment, on a straight-line basis, over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and 5 to 15 years for equipment. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring or constructing these assets.

Buildings and equipment, including construction in progress, and any other long-lived tangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require such a long-lived asset or asset group be tested for possible impairment, the Corporation first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary (see note 1(d)).

Capital assets that are funded by donor grants are released from restriction upon the earlier of the date the asset is placed into service or the date at which it is determined the direct financial benefits associated with the asset are not likely sufficient to support the capitalized cost.

(d) Economic development project costs

In connection with the Corporation's mission to support the economic development activities that relate to the research and educational mission of SUNY, the Corporation is a party to various arrangements in which New York State grants are made to the Corporation to construct, hold title, and lease facilities and equipment to corporate enterprises with the aim of, among other things, promoting job creation and investment in New York State. Such economic development projects generally create jobs and corporate investment in the communities of New York State. However, for certain projects a direct financial return is not received by the Corporation. At inception of the project, the Corporation assesses the economic development program and whether the direct financial consideration to be provided to the Corporation by corporate parties will support the invested value of the property and equipment for financial reporting purposes. If it is determined that the direct financial benefits associated with ownership of the property and/or equipment are not likely to support the past or on-going capitalized cost, such assets are reduced to the estimated cash flows and residual value that the Corporation reasonably expects to receive over the life of the property. The difference between the cost to construct the building and the remaining balance is reported as economic development project costs as costs are incurred in the accompanying consolidated statement of activities.

For the year ended June 30, 2019, management determined such a write down of $25.5 million was appropriate for a rental property in which tenant rent will be below market while the tenant also agreed to employ a specified number of positions at the property over the lease term. Other economic development project costs recognized in 2019 related to current year project costs for properties for which management made a similar determination in a prior fiscal year.

(e) Rental Income and Other Support

Rental income represents amounts received from tenants pursuant to noncancelable operating leases (see note 5). Rental agreements with escalating rent payment terms are recognized as rental income on a straight-line basis over the minimum lease term. Leases that contain contingent or variable rental payments are recognized when such contingent events occur or are achieved. No such contingent rental income was recognized in 2019.

(f) Deferred Financing Costs

Deferred financing costs, which relate to the issuance of debt, are being amortized ratably over the period the debt is outstanding using the effective interest method. Debt issuance costs and deferred financing costs related to a debt refinancing are presented on the balance sheets as a direct deduction from the associated debt outstanding.

(g) Income Taxes

The Corporation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Code), and is exempt from federal income taxes pursuant to Section 501(a) of the Code. The Corporation applies the provisions of ASC Subtopic 740-10, *Accounting for Uncertainty of Income Taxes*, which addresses accounting for uncertainties in income taxes recognized in an entity’s financial statements and prescribes a threshold of more-likely than-not for recognition of tax positions taken or expected to be taken in a tax return. ASC Subtopic 740-10 also provides guidance on measurement, classification, interest and penalties, and disclosure of tax uncertainties. As of June 30, 2019 there are no uncertain income tax positions that require recognition in the accompanying consolidated financial statements.

(h) Derivative and Hedging Activities

The Corporation accounts for derivatives and hedging activities in the consolidated balance sheet at fair value. As the Corporation does not report earnings as a separate caption in the consolidated statement of activities, it recognizes the change in fair value on all derivative instruments as a change in net assets in the period of change (see note 7).

(i) Fair Value Measurements

The Corporation estimates fair value on a valuation framework that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); then to quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, or models that use inputs that are either directly or indirectly observable (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements).

Cash equivalents, which are included within assets limited as to use, are stated at fair value using Level 1 measurements. The Corporation’s interest rate swap is stated at fair value as determined using pricing tools that use observable inputs, and therefore is considered a Level 2 measurement.

(j) Use of Estimates

Management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingencies to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ materially from those estimates.

(k) Transactions with Member

Pursuant to a Staffing and Fiscal Services Agreement between the Corporation and the Research Foundation, certain administrative services are provided by the Research Foundation on the Corporation's behalf. The amounts related to such support are reflected in the consolidated statement of activities in contracted services. In addition, the Research Foundation maintains an operating cash account on the Corporation's behalf. Cash held by the Research Foundation on behalf of the Corporation is reflected as due from member in the accompanying consolidated balance sheet. Transfers to the Research Foundation represent reimbursement of program service cost incurred by the Research Foundation that are supported by Corporation grants.

(l) Recent Accounting Pronouncements

(i) Not-for-Profit Financial Statement Presentation

During 2019, the Corporation adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The requirements of ASU 2016-14 are intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of ASU 2016-14 that are applicable to the Corporation include the presentation of net assets as with and without donor restriction; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and enhancements to disclosure for liquidity and expenses by both their natural and functional classification. A summary of the net asset reclassifications as a result of the adoption of ASU 2016-14 as of June 30, 2018 is summarized in (ii) below.

(ii) Contributions Received and Contributions Made

During 2019, the Corporation also adopted ASU 2018-08 – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). This ASU is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made by not-for-profit entities. The ASU provides that a contribution is considered conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets donor without restrictions. The Corporation used the modified retrospective transition method allowed by the standard and therefore applied this standard to contracts that were not yet completed as of the date of adoption or new contracts entered into in 2019. As a result of adopting ASU 2018-08, the Corporation reclassified $73.8 million from net assets with donor restrictions (formerly restricted net assets) to

(Continued)

unrecognized grant funds, which is a liability in the accompanying consolidated balance sheet due to donor imposed conditions with respect to the associated grant funds.

A summary of the impact to net assets as a result of adopting ASU 2016-14 and ASU 2018-08 as of July 1, 2018 is as follows:

		ASU 2016-14 Classifications		
		Without donor restrictions	**With donor restrictions**	**Total net assets**
As previously presented at July 1, 2018:				
Unrestricted	$	54,002,503	—	54,002,503
Temporarily restricted		—	76,157,043	76,157,043
Permanently restricted		—	—	—
Net assets, prior to ASU 2018-08		54,002,503	76,157,043	130,159,546
ASU 2018-08:				
Reclassification from net assets to liabilities		—	(73,766,645)	(73,766,645)
Net assets, as reclassified	$	54,002,503	2,390,398	56,392,901

(iii) Restricted Cash

In November 2016, FASB issued ASU 2016-18, *Restricted Cash*, which requires that a statement of cash flows explain the changes during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Corporation adopted ASU 2016-18 as of July 1, 2018 to reconcile the beginning-of-period and end-of-period total restricted cash and cash equivalent amounts shown on the consolidated statement of cash flows, which had previously been classified within investing activities in the consolidated statement of cash flows. The amount of cash previously excluded from the statement of cash flows and reported only as assets whose use is limited as of June 30, 2018 was $113,942,885.

(3) Liquidity

As of June 30, 2019, consolidated financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows as of June 30, 2019:

Financial assets:		
Cash and cash equivalents	$	1,044,003
Rent and other receivables		1,038,327
	$	2,082,330

The Corporation's rental revenues and related operating activities are generally not seasonal in nature. Rent and other receivables reflected above represent amounts expected to be converted to cash in 2020. In addition to the above, in 2015, the Corporation entered into a multi-year grant with ESD to meet the corresponding annual debt service payments due under the Amended Loan Agreement and the Supplemental Loan Note (note 6). In August 2018, the ESD grant funded $10.9 million for the fiscal year 2019 debt service payment. Subsequent to June 30, 2019, in August 2019, the 2020 debt service payment was funded through the Research Foundation.

(4) Land, Buildings and Equipment

Land, buildings and equipment as of June 30, 2019 are summarized as follows:

Land	$	6,273,866
Buildings, condominiums units, permanent fixtures		3,820,625
Equipment, furniture, and other fixtures		61,118,398
		71,212,889
Less accumulated depreciation		(23,556,229)
	$	47,656,660

Substantially all of the Corporation's buildings, equipment, and furniture and fixtures are subject to lease agreements with third party corporations (see note 1) that vary in length from 7 to 25 years, inclusive of anticipated lease extensions.

Construction cost for projects in progress are capitalized or expensed as incurred based on the nature of the project and anticipated direct cash flows to the Corporation for such projects. One project is in progress at June 30, 2019, Plattsburgh Tech and Pharmaceutical Manufacturing, for which costs incurred are recognized as economic development project costs in the consolidated statement of activities. In addition, the Syracuse High-Tech program was completed and the associated $2.4 million of assets capitalized were placed into service and released from the net assets with donor restrictions.

The Corporation has executed construction agreements in relation to these projects in progress, for which approximately $21.3 million of financial commitments are outstanding as of June 30, 2019. In addition, the Corporation has financial commitments to purchase equipment for these facilities of approximately

$42.8 million as of June 30, 2019. These represent financial commitments of the Corporation, up to the value of grants received and will be funded, in part, through assets whose use is limited.

For the year ended June 30, 2019 depreciation expense was $17.1 million.

(5) Lease Commitments

Future minimum lease payments and receipts for the next five years and thereafter are as follows as of June 30, 2019:

Payments owed:		
2020	$	1,444,445
2021		1,549,602
2022		1,549,162
2023		1,549,162
2024		1,549,162
Subsequent		18,996,209
Rental receipts:		
2020		3,297,591
2021		3,357,809
2022		1,857,270
2023		1,456,668

Rental receipts reported above do not include lease commitments with tenants in which the Corporation has not yet completed construction or fit up of the space to be leased, as of June 30, 2019.

(6) Loan Agreements Payable

Loan agreements payable as of June 30, 2019 are summarized as follows:

Amended Loan Agreement, KeyBank	$	34,670,050
Supplemental Loan Note, KeyBank		309,607
Loan Agreement, M&T Bank		3,821,985
		38,801,642
Less:		
Unamortized deferred financing costs		1,277,617
	$	37,524,025

(a) Building Loan Agreement and Amended Loan Agreement

In September 2014, the Corporation amended and restated an existing $31.0 million Building Loan Agreement related to Quad C into a permanent $65.0 million Loan Agreement (the Amended Loan

Agreement) with TD Bank, as Administrator and Lead Arranger, and a syndicate of other financial institution lenders. Subject to the terms and conditions of the Amended Loan Agreement, during the Quad C construction period the lenders made advances to the Corporation with interest payments due on a monthly basis. Commencing on September 1, 2015, the Corporation began making principal payments, which are due annually over an 8 year term, maturing in September 1, 2022. Financing costs for the original loan and its amendment of $1.6 million were incurred and are recognized as interest expense over the term of the Amended Loan Agreement.

In July 2015, the Amended Loan Agreement was further modified to replace TD Bank with KeyBank as Administrative Agent and Lead Arranger, modify the interest rate to 30-day LIBOR plus 125 basis points, and modify the syndicate of lenders. All other substantive loan terms remained unchanged. In connection with the modification, an interest rate swap agreement was executed with KeyBank (see note 7). At June 30, 2019 the interest rate was 3.75%.

(b) Supplemental Loan Note

To provide bridge financing for the Quad C project until receipt of grant funds, an incremental $5.0 million Supplemental Loan Note was issued by KeyBank concurrent with the execution of the July 2015 Amended Loan Agreement. An initial principal payment of $3.2 million was due and paid in September 2016, while the remaining scheduled payments are due over an 8 year term. At June 30, 2019 the interest rate was 3.75%.

(c) Loan Agreement

In May 2016, the Corporation entered into a 5 year Loan Agreement with M&T Bank for $8.1 million to provide working capital funds. The loan is secured by the assignment of tenant lease revenue for 7 floors owned by the Corporation in the Key Center in Buffalo, and by a negative pledge on that property. The interest rate on the loan is 2.69% with monthly payments of principal and interest.

The Corporation must satisfy certain financial and reporting requirements so long as the respective loans are outstanding. As of and subsequent to June 30, 2019, the Corporation was not in compliance with certain of its reporting requirements. The lending institutions have waived these instances of noncompliance.

Following are the required principal payments on the loan agreements payable, as of June 30, 2019:

Year ending June 30:		
2020	$	10,021,995
2021		10,402,306
2022		9,192,690
2023		9,184,651
	$	38,801,642

(7) Interest Rate Swap Agreement

In July 2015, as required by the terms of the Amended Loan Agreement, the Corporation entered into an interest rate swap agreement (swap agreement) to hedge variability in cash flows associated with interest payments on its Amended Loan Agreement (see note 6). The interest rate swap agreement essentially converts the long-term debt issuance from a variable interest rate to a fixed interest rate. The swap agreement provides for the Corporation to pay a fixed rate of interest over the term of the Amended Loan Agreement (maturing September 1, 2022) of 1.676%. The variable rate received by the Corporation under the swap is equal to the 1-month LIBOR rate on the first day of the month. Interest rate swaps do not relieve the Corporation from its obligations under long-term debt issuances.

(8) Contingencies

From time to time, the Corporation is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, as of June 30, 2019, the ultimate disposition of these matters will not have a material adverse effect on the Corporation's financial position, results of operations, or liquidity.

In September 2016, a criminal complaint was filed by the U.S. Attorney's Office for the Southern District of New York against a former member of the board of the directors of the Corporation for allegedly conspiring to defraud the Corporation in connection with certain Corporation procurement activities. On November 22, 2016, the U.S. Attorney's Office for the Southern District of New York returned a criminal indictment against this same individual for the same alleged conduct. Trial in this case began on June 18, 2018, and, on July 12, 2018, the jury returned a verdict of guilty against this individual and the other defendants in the case. This individual was sentenced on December 11, 2018. He is currently appealing his conviction. The Corporation was identified as a victim of the offenses for which this individual was convicted, and no claims were alleged against the Corporation in this matter.

(9) Functional Expenses

The consolidated statement of operations presents expenses by natural classification. The Corporation also summarizes its expenses by functional classification. The Corporation’s primary program service is facilities and related property management. Natural expenses attributed to more than one functional expense category are allocated using a variety of cost allocation techniques such as percentage of revenues, percentage of expenses, and square footage.

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

	Facilities and related property management	Administrative	Total
Contracted services	$ 351,009	276,667	627,676
Utilities, repairs and maintenance	1,646,290	—	1,646,290
Rent	2,366,444	—	2,366,444
Insurance and other	1,394,750	150,993	1,545,743
Professional fees	273,906	463,826	737,732
Interest	1,655,115	—	1,655,115
Depreciation and amortization	17,147,365	—	17,147,365
Economic development project costs	107,844,156	—	107,844,156
Transfers to the Research Foundation	862,975	—	862,975
	$ 133,542,010	891,486	134,433,496

(10) Subsequent Events

The Corporation considers events or transactions that occur after the balance sheets date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on August 6, 2020 and subsequent events have been evaluated through that date.

In March 2020, the economies of New York State and the broader United States were affected by the COVID-19 pandemic. The impact on the Corporation’s operations, if any, cannot yet be determined.

FORT SCHUYLER MANAGEMENT CORPORATION

Schedule of Changes in Net Assets without Donor Restrictions

Year ended June 30, 2019

		Quad C	Key Center	All Other	Total
Support and revenue:					
Rental income and other support	$	76,400	3,127,791	2,854,348	6,058,539
Grants and other contributions		—	—	2,300,000	2,300,000
Net assets released from restrictions		40,827,477	—	53,606,662	94,434,139
Total support and revenue		40,903,877	3,127,791	58,761,010	102,792,678
Expenses:					
Contracted services		10,000	116,472	501,204	627,676
Utilities, repairs and maintenance		3	1,158,654	487,633	1,646,290
Rent		—	—	2,366,444	2,366,444
Insurance and other		168,207	40,771	1,336,765	1,545,743
Professional fees		17,088	—	720,644	737,732
Interest		1,479,016	168,570	7,529	1,655,115
Depreciation and amortization		—	7,733,512	9,413,853	17,147,365
Economic development project costs, net		29,492,818	—	78,351,338	107,844,156
Transfers to the Research Foundation for The State University of New York		862,975	—	—	862,975
Total expenses and transfers		32,030,107	9,217,979	93,185,410	134,433,496
Decrease in net assets, before other changes in net assets		8,873,770	(6,090,188)	(34,424,400)	(31,640,818)
Other changes in net assets:					
Change in fair value of interest rate swaps		(922,550)	—	—	(922,550)
		(922,550)	—	—	(922,550)
Increase (decrease) in net assets	$	7,951,220	(6,090,188)	(34,424,400)	(32,563,368)

See accompanying notes to consolidated financial statements.