



**New York State Technology  
Enterprise Corporation**

Financial Statements

September 30, 2021 and 2020

# **New York State Technology Enterprise Corporation**

## **Financial Statements**

September 30, 2021 and 2020

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## Independent Auditor's Report

Board of Directors  
New York State Technology Enterprise Corporation  
Rome, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of New York State Technology Enterprise Corporation (Corporation), which comprise the statements of financial position as of September 30, 2021 and 2020, the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the Corporation'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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Albany, New York  
December 14, 2021



# New York State Technology Enterprise Corporation

## Statements of Financial Position

		September 30,	
		2021	2020
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		\$ 26,163,306	\$ 19,936,706
Accounts receivable, net		15,046,032	17,090,321
Investments		1,299,203	1,288,368
Prepaid expenses and other assets		951,399	466,996
Total current assets		43,459,940	38,782,391
<b>EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET</b>			
Equipment		163,753	177,517
Furniture and fixtures		32,224	17,863
Leasehold improvements		3,273,460	1,953,360
Total equipment and leasehold improvements		3,469,437	2,148,740
Less accumulated depreciation and amortization		476,562	290,054
Equipment and leasehold improvements, net		2,992,875	1,858,686
<b>NON-CURRENT ASSETS</b>			
Deposits		105,968	105,968
Investment in affiliate		1,725,700	1,717,505
		1,831,668	1,823,473
<b>Total assets</b>		<b>\$ 48,284,483</b>	<b>\$ 42,464,550</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		3,341,824	4,514,274
Accrued expenses		5,967,882	6,594,071
Total current liabilities		9,309,706	11,108,345
<b>COMMITMENTS</b>			
<b>NET ASSETS</b>			
		38,974,777	31,356,205
<b>Total liabilities and net assets</b>		<b>\$ 48,284,483</b>	<b>\$ 42,464,550</b>

See accompanying Notes to Financial Statements.

# New York State Technology Enterprise Corporation

## Statements of Activities

	Years Ended September 30,	
	2021	2020
<b>REVENUES</b>		
Contract revenue	\$ 61,746,912	\$ 60,424,721
<b>COST OF REVENUES</b>		
Direct labor, base salaries	13,562,156	11,613,961
Direct labor, fringe benefits and other compensation	5,709,414	5,326,035
Subcontracts and consultants	13,909,645	17,075,129
Travel	19,641	154,248
Other direct costs	141,414	60,153
Total cost of revenues	33,342,270	34,229,526
<b>OVERHEAD AND ADMINISTRATIVE EXPENSES</b>		
Base salaries	10,320,996	8,067,231
Fringe benefits and other compensation	4,336,108	3,695,688
Professional services	1,044,899	783,049
Travel	140,059	319,058
Insurance	182,350	173,025
Marketing	28,080	60,086
Recruiting	169,003	102,831
Professional development	253,338	175,960
Dues and subscriptions	226,320	202,730
Office supplies	49,892	61,839
Telephone	147,782	128,648
Software, hardware, equipment and furniture	2,227,880	830,504
Information technology	121,910	111,632
Equipment rental and maintenance	30,159	36,435
Occupancy	990,672	863,885
Depreciation and amortization	293,135	240,625
Charitable contributions	109,982	87,370
Provision for bad debts	15,808	184,608
Miscellaneous	219,916	194,480
Total general and administrative expenses	20,908,289	16,319,684
<b>Change in net assets from operations</b>	<b>7,496,353</b>	<b>9,875,511</b>
<b>OTHER INCOME</b>		
Investment income, net	90,854	79,926
Gain on investment in affiliate	8,195	211,010
Gain on sale of equipment	4,736	-
Miscellaneous income	18,434	26,700
Total other income	122,219	317,636
<b>Change in net assets</b>	<b>7,618,572</b>	<b>10,193,147</b>
<b>NET ASSETS, beginning of year</b>	31,356,205	21,163,058
<b>NET ASSETS, end of year</b>	<b>\$ 38,974,777</b>	<b>\$ 31,356,205</b>

See accompanying Notes to Financial Statements.

# New York State Technology Enterprise Corporation

## Statements of Cash Flows

	Years Ended September 30,	
	2021	2020
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,618,572	\$ 10,193,147
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	293,135	240,625
Provision for bad debts	15,808	184,608
Gain on sale of equipment	(4,736)	-
Realized gains on investments, net	(88,491)	(9,704)
Unrealized (gains) losses on investments, net	26,858	(29,882)
Gain on investment in affiliate	(8,195)	(211,010)
(Increase) decrease in		
Accounts receivable	2,028,481	(7,133,817)
Prepaid expenses and other assets	(484,403)	141,840
Deposits	-	400
Increase (decrease) in		
Accounts payable	(1,172,450)	204,571
Accrued expenses	(554,694)	2,047,226
	<b>7,669,885</b>	<b>5,628,004</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Purchases of equipment and leasehold improvements	(1,442,588)	(191,262)
Proceeds from sale of equipment	20,000	-
Purchases of investments	(520,538)	(635,372)
Proceeds from sale of investments	499,841	612,815
	<b>(1,443,285)</b>	<b>(213,819)</b>
<b>Net increase in cash</b>	<b>6,226,600</b>	<b>5,414,185</b>
<b>CASH, beginning of year</b>	<b>19,936,706</b>	<b>14,522,521</b>
<b>CASH, end of year</b>	<b>\$ 26,163,306</b>	<b>\$ 19,936,706</b>

See accompanying Notes to Financial Statements.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 1 - Organization and Summary of Significant Accounting Policies

#### *a. Description of Organization*

New York State Technology Enterprise Corporation (Corporation) is a not-for-profit technology consulting company advising New York state and local governments; and New York state and local government funded agencies, organizations, institutions, and businesses. The Corporation's mission is to provide superior consulting services to assist clients in successfully identifying, defining, acquiring, and implementing technology needs. The Corporation provides services that leverage the technology base in New York State to define, develop, and enhance high-tech innovation, knowledge, and capabilities throughout government and industry.

#### *b. Basis of Accounting*

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

#### *c. Estimates*

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

#### *d. Fair Value Measurement*

The Corporation reports certain assets at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date (Note 9).

#### *e. Accounts Receivable, Net*

Accounts receivable represents amounts invoiced to customers as well as amounts earned but unbilled, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, and by using historical experience applied to the aging of accounts. The allowance for doubtful accounts was approximately \$35,500 and \$213,300 at September 30, 2021 and 2020, respectively.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. The Corporation does not charge interest on any past due accounts receivable.

Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Unbilled receivables amounted to approximately \$5,047,500 and \$6,774,500 at September 30, 2021 and 2020, respectively, and are included in accounts receivable, net on the statements of financial position.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *f. Equipment and Leasehold Improvements, Net*

Acquisitions of equipment, furniture and fixtures, leasehold improvements, and repairs which materially change capacities or extend useful lives, are reported at cost, net of accumulated depreciation and amortization. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred. When assets are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation or amortization, and any resultant gain or loss is credited or charged to the Corporation's change in net assets.

Depreciation is recorded using the straight-line method over estimated useful lives which vary from five to ten years. Amortization of leasehold improvements is recorded using the straight-line method over the shorter of the life of the lease or the estimated life of the asset.

#### *g. Long-lived Assets*

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There were no impairments of long-lived assets as of September 30, 2021 and 2020.

#### *h. Equity Method of Accounting*

Investee companies that are not consolidated, but over which the Corporation exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Corporation exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, representation on the investee company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the investee company. Under the equity method of accounting, an investee company's accounts are not reflected within the Corporation's statement of financial position and statement of activities; however, the Corporation's share of the earnings or losses of the investee company is reflected as other income (expense) in the statement of activities. The Corporation's carrying value in an equity method investee company is reflected in the caption "investment in affiliate" in the Corporation's statement of financial position.

When the Corporation's carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the Corporation's financial statements unless the Corporation guaranteed obligations of the investee company or has committed additional funding. When the investee company subsequently reports income, the Corporation will not record its share of such income until it equals the amount of its share of losses not previously recognized.

#### *i. Net Assets*

Net assets, revenues, other income, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* are assets available for use in general operations and not subject to donor restrictions.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *i. Net Assets - Continued*

*Net Assets With Donor Restrictions* consist of net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature and will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Any donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Corporation did not have any net assets with donor restrictions as of September 30, 2021 and 2020.

#### *j. Contract Revenue Recognition*

Revenue from contracts with customers is recognized in accordance with a five step model as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation(s) in the contract
- Recognize revenue when or as performance obligations are satisfied

The majority of the Corporation's revenue is generated by providing consulting services to its clients.

The Corporation assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. Customer contracts generally are standardized and non-cancellable for the duration of the stated contract.

Revenue related to consulting services is recognized over time as the customer consumes the benefits of the services the Corporation performs. The timing of revenue recognition is based on an input measure, which is based on labor and material costs incurred to date as they relate to the estimated total cost to complete the engagement. Estimates of total engagement revenue and cost of services are monitored regularly during the term of the engagement.

The Corporation generates consulting revenue under two types of billing arrangements: time-and-materials and fixed-fee. The customer in time-and-material arrangements generally is invoiced based on the contractual agreement between the parties, typically on a monthly basis. In these contracts, the Corporation's right to consideration from the customer directly corresponds to the value received by the customer from the entity's performance completed to date. Therefore, the Corporation recognizes revenue under time-and-materials arrangements using the right-to-invoice practical expedient, which allows it to recognize revenue in the amount invoiced based on the number of hours worked and the agreed-upon hourly rates. The customer in fixed-fee arrangements generally is invoiced based on the contractual agreement between the parties, typically on monthly or milestone-driven basis.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *j. Contract Revenue Recognition - Continued*

The timing of revenue recognition may not align with the right to invoice the customer. The Corporation records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded and is included in accounts receivable, net on the statements of financial position. The opening balance of accounts receivable, net as of October 1, 2019 was approximately \$10,141,100.

The Corporation also earns revenue from federal contracts and grants that are conditional upon measurable performance or other barriers and a right of return and are not recognized until the conditions on which they depend have been met. The federal contracts are conditioned upon certain performance requirements or milestones and/or the incurrence of allowable qualifying expenses.

#### *k. Functional Allocation of Expenses (See Note 6)*

Expenses that are directly identifiable are charged to program services. Expenses related to more than one function are either charged to program services or management and general using specific allocation methods. Base salaries are allocated based on time and effort. Fringe benefits and other compensation, insurance, occupancy, dues and subscriptions, and depreciation and amortization are allocated based on the percentage of direct salaries to total salaries. Professional development, office supplies, telephone, software, hardware, equipment and furniture, and information technology expenses are allocated based on an estimate of usage by function. Travel costs are allocated based on an estimate of the purpose of the trips taken by function.

#### *l. Marketing Costs*

Marketing costs are expensed as incurred.

#### *m. Tax Status*

The Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and comparable New York state law. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a)(2) of the Code.

The Corporation files Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated the Corporation's tax positions, including interest and penalties attributable thereto, and concluded that the Corporation had taken no tax position that required adjustments in its financial statements as of September 30, 2021 and 2020.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *n. Adoption of New Accounting Standard*

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019. The Corporation has adopted the standard during the year ended September 30, 2021. There was no material impact on the Corporation's change in net assets or financial condition upon adoption of the new standard.

#### *o. Subsequent Events*

The Corporation evaluated subsequent events for potential recognition or disclosure through December 14, 2021, the date the financial statements were available to be issued.

### Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	September 30	
	2021	2020
Total assets at September 30,	\$ 48,284,483	\$ 42,464,550
Less assets not available for general expenditures		
Prepaid expenses and other assets	(951,399)	(466,996)
Equipment and leasehold improvements, net	(2,992,875)	(1,858,686)
Deposits	(105,968)	(105,968)
Investment in affiliate	(1,725,700)	(1,717,505)
Financial assets available for general expenditure	<u>\$ 42,508,541</u>	<u>\$ 38,315,395</u>

The Corporation has approximately \$42,508,500 of financial assets available within one year of the statement of financial position date consisting of cash of approximately \$26,163,300, accounts receivable, net of approximately \$15,046,000, and investments of approximately \$1,299,200.

The Corporation's September 30, 2022 budget has approximately \$74,000,000 in contract revenues, which includes approximately \$136,500,000 in signed commitments as of September 30, 2021, some of which include multi-year engagements.

In addition, as discussed in Note 5, the Corporation has available a line-of-credit in the amount of \$3,000,000, which it could draw upon in the event of an unanticipated liquidity need.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 3 - Investments

A summary of investments is as follows:

	September 30, 2021			
	Original Cost	Unrealized Gains	Unrealized Losses	Fair Value
Fixed income	\$ 806,974	\$ 21,946	\$ -	\$ 828,920
Equities	75,218	43,767	-	118,985
Mutual funds	308,905	24,180	-	333,085
Money market funds	18,213	-	-	18,213
	\$ 1,209,310	\$ 89,893	\$ -	\$ 1,299,203
	September 30, 2020			
	Original Cost	Unrealized Gains	Unrealized Losses	Fair Value
Fixed income	\$ 708,233	\$ 32,092	\$ -	\$ 740,325
Equities	59,155	78,790	-	137,945
Mutual funds	363,921	5,868	-	369,789
Money market funds	40,309	-	-	40,309
	\$ 1,171,618	\$ 116,750	\$ -	\$ 1,288,368

### Note 4 - Investment in Affiliate

The Corporation has a 45% ownership interest in 99 Otis Street, LLC (LLC), which was established during July 2018. The remaining 55% is owned by Griffiss Local Development Corporation (GLDC), a New York not-for-profit corporation. The LLC was formed exclusively for the purpose of maintaining, owning, operating, developing, financing, and leasing one or more properties in the City of Rome, New York.

The Corporation has contributed a total of \$1,560,000 since the LLC was established.

The LLC constructed a property located in Rome, New York at a total cost of approximately \$7,000,000.

The Corporation has provided limited guarantees (up to the Corporation's ownership percentage) on a construction loan the LLC has with M&T Bank USA, N.A. (M&T) in the amount of approximately \$3,000,000. The Corporation and the GLDC have unconditionally guaranteed a loan the LLC has with the Mohawk Valley Economic Development District, Inc. in the amount of \$375,000. In addition, the Corporation and the GLDC have unconditionally guaranteed a loan the LLC has with the Economic Development Growth Enterprise Corporation in the amount of \$525,000.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 4 - Investment in Affiliate - Continued

During July 2018, the Corporation signed a ten-year lease for office space with the LLC, which began in October 2019. The lease requires monthly payments of \$24,128 for the first five years and \$26,105 for the remaining five years. The Corporation has two five-year renewal options at monthly payments defined in the lease agreement.

A summary of the LLC's financial position is as follows:

	September 30,	
	2021	2020
Total assets	\$ 7,784,307	\$ 7,932,829
Liabilities	\$ 3,917,618	\$ 4,084,350
Net assets	3,866,689	3,848,479
Total liabilities and net assets	\$ 7,784,307	\$ 7,932,829

A summary of the LLC's changes in net assets is as follows:

	Years Ended September 30,	
	2021	2020
Revenues	\$ 552,183	\$ 890,494
Expenses	(533,973)	(417,115)
Change in net assets	\$ 18,210	\$ 473,379

### Note 5 - Lines-of-Credit

The Corporation has a \$3,000,000 line-of-credit with M&T, of which no balance was outstanding at September 30, 2021 and 2020, respectively. The line-of-credit is renewable annually. Interest is charged at M&T's prime rate (3.25% at both September 30, 2021 and 2020). The line-of-credit is secured by all of the assets of the Corporation. The agreement requires the Corporation to meet certain reporting requirements.

The Corporation had a \$2,000,000 multiple disbursement term note with M&T that matured on July 31, 2021, with interest at M&T's prime rate, and that was secured by all of the assets of the Corporation. No advances were taken during the years ended September 30, 2021 and 2020. The note was not renewed.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 6 - Functional Expenses

The statements of activities present expenses categorized by cost of revenues, and overhead and administrative costs. The table below presents expense by function and natural classification.

	Years ended September 30,					
	2021			2020		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Base salaries	\$ 19,618,722	\$ 4,264,430	\$ 23,883,152	\$ 16,012,924	\$ 3,668,268	\$ 19,681,192
Subcontracts and consultants	13,909,645	-	13,909,645	17,075,129	-	17,075,129
Fringe benefits and other compensation	8,244,576	1,800,946	10,045,522	7,310,719	1,711,004	9,021,723
Professional services	-	1,044,899	1,044,899	-	783,049	783,049
Travel	88,569	71,131	159,700	333,015	140,291	473,306
Insurance	145,880	36,470	182,350	138,420	34,605	173,025
Marketing	-	28,080	28,080	-	60,086	60,086
Recruiting	-	169,003	169,003	-	102,831	102,831
Professional development	190,003	63,335	253,338	131,566	44,394	175,960
Dues and subscriptions	181,056	45,264	226,320	162,184	40,546	202,730
Office supplies	38,687	11,205	49,892	45,019	16,820	61,839
Telephone	107,248	40,534	147,782	93,955	34,693	128,648
Software, hardware, equipment and furniture	1,887,795	340,085	2,227,880	663,403	167,101	830,504
Information technology	102,536	19,374	121,910	90,522	21,110	111,632
Equipment rental and maintenance	-	30,159	30,159	-	36,435	36,435
Occupancy	792,538	198,134	990,672	691,108	172,777	863,885
Depreciation and amortization	234,508	58,627	293,135	192,499	48,126	240,625
Charitable contributions	-	109,982	109,982	-	87,370	87,370
Provision for bad debts	-	15,808	15,808	-	184,608	184,608
Miscellaneous	141,414	219,916	361,330	60,153	194,480	254,633
	<u>\$ 45,683,177</u>	<u>\$ 8,567,382</u>	<u>\$ 54,250,559</u>	<u>\$ 43,000,616</u>	<u>\$ 7,548,594</u>	<u>\$ 50,549,210</u>

### Note 7 - Retirement Plans

The Corporation has a 403(b) defined contribution plan (the 403(b)) that covers substantially all employees as defined in the plan. Each employee is required to contribute 5% of eligible compensation and the Corporation provides an additional 5% of eligible compensation. In addition, employees may make pre and post-tax contributions to their 403(b) accounts, via salary deferrals, up to limits prescribed in the Code. The Corporation may also make discretionary contributions to the 403(b), as determined annually by the board of directors. The Corporation's total contributions to the 403(b) were approximately \$2,355,260 and \$1,862,100 for the years ended September 30, 2021 and 2020, respectively.

The Corporation also sponsors a 457(b) defined contribution plan (the 457(b)) covering certain eligible employees as defined in the plan. The Corporation may make discretionary contributions to the 457(b), as determined annually by the board of directors. The Corporation's total contributions to the 457(b) were approximately \$19,500 for both years ended September 30, 2021 and 2020. During the year ended September 30, 2021 the funds were withdrawn by the eligible employee upon termination and as such, there was no related liability or investments at September 30, 2021. The liability related to the 457(b) was approximately \$71,500 at September 30, 2020 and is included in the statement of financial position within accrued expenses. The Corporation had included approximately \$71,500 in investments at September 30, 2020, which represented the fair value of the assets held in the plan.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 8 - Commitments, Risks, and Uncertainties

#### a. Operating Leases

The Corporation leases office space in Albany, New York City, Rome, and Troy, New York. The monthly rental payments range from approximately \$3,000 to \$31,500 and expire at various times from May 2022 through April 2031. The rent expense on these agreements totaled approximately \$805,800 and \$738,200 during the years ended September 30, 2021 and 2020, respectively.

The Corporation leases office equipment that requires monthly payments of approximately \$2,300 and will expire during January 2022. Rent expense on this equipment totaled approximately \$27,600 and \$27,600 for the years ended September 30, 2021 and 2020, respectively.

A summary of the future annual minimum payments on these operating leases, and the lease with the LLC described in Note 4, is as follows:

Year ending September 30,	
2022	\$ 981,876
2023	917,422
2024	917,422
2025	940,913
2026	912,890
Thereafter	<u>2,147,760</u>
	<u>\$ 6,818,283</u>

#### b. Concentration of Credit Risk

The Corporation maintains cash balances in one financial institution located in New York State. The Corporation's accounts at this institution are insured, up to certain limits, by the Federal Deposit Insurance Corporation (FDIC). At times, the Corporation has bank deposits in excess of amounts insured by the FDIC.

The Corporation maintains its investments with an investment advisor located in New York State. Cash and securities held at the brokerage firm are not insured.

Investment securities held by the Corporation are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the statements of financial position and the statements of activities.

#### c. Significant Customers

The Corporation had one customer that accounted for 57% and 54% of revenues during the years ended September 30, 2021 and 2020, respectively. No other customers accounted for more than 10% of revenues for the years ended September 30, 2021 and 2020.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 8 - Commitments, Risks, and Uncertainties - Continued

#### *c. Significant Customers - Continued*

Accounts receivable due from one customer accounted for approximately 51% of accounts receivable, net at both September 30, 2021 and 2020. No other customer accounted for more than 10% of accounts receivable, net.

### Note 9 - Fair Value Measurement

The framework for measuring fair value includes a fair value hierarchy 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 (Level 1) and the lowest priority to unobservable inputs (Level 3). The following three levels of inputs may be used to measure fair value:

Level 1 Unadjusted quoted market prices in active markets for identical assets.

Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.

Level 3 Unobservable inputs that are supported by little or no market activity.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value at September 30, 2021 and 2020.

Money Market Funds: The carrying amounts approximate fair value because of the short maturity of these instruments.

Equities and Mutual Funds: Valued at the quoted closing price reported in the active market in which the individual security is traded.

Fixed Income: Valued based on observable prices for the particular security, or when prices are not observable, the valuation is based on prices of comparable bonds or the present value of expected future cash flows.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Corporation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# New York State Technology Enterprise Corporation

## Notes to Financial Statements September 30, 2021 and 2020

### Note 9 - Fair Value Measurement - Continued

A summary of the Corporation's assets measured at fair value on a recurring basis is as follows:

	September 30, 2021			Total
	Level 1	Level 2	Level 3	
Fixed income				
Corporate bonds	\$ -	\$ 712,205	\$ -	\$ 712,205
Mortgage backed securities	-	116,715	-	116,715
Equities				
Domestic	116,104	-	-	116,104
International	2,881	-	-	2,881
Mutual funds				
Emerging markets	24,086	-	-	24,086
Inflation-protected bond funds	103,157	-	-	103,157
Infrastructure funds	12,551	-	-	12,551
International funds	50,501	-	-	50,501
Natural resources funds	51,972	-	-	51,972
Real estate funds	12,878	-	-	12,878
U.S. Mid cap	12,955	-	-	12,955
U.S. Small cap	12,572	-	-	12,572
U.S. Taxable	52,413	-	-	52,413
Money market funds	18,213	-	-	18,213
Total investments	<u>\$ 470,283</u>	<u>\$ 828,920</u>	<u>\$ -</u>	<u>\$ 1,299,203</u>

	September 30, 2020			Total
	Level 1	Level 2	Level 3	
Fixed income				
Corporate bonds	\$ -	\$ 619,893	\$ -	\$ 619,893
Mortgage backed securities	-	120,432	-	120,432
Equities				
Domestic	133,530	-	-	133,530
International	4,415	-	-	4,415
Mutual funds				
Inflation-protected bond funds	85,342	-	-	85,342
Infrastructure funds	27,672	-	-	27,672
International funds	48,076	-	-	48,076
Natural resources funds	10,965	-	-	10,965
Real estate funds	11,284	-	-	11,284
Target date retirement	71,495	-	-	71,495
U.S. Mid cap	25,465	-	-	25,465
U.S. Small cap	12,624	-	-	12,624
U.S. Taxable	76,866	-	-	76,866
Money market funds	40,309	-	-	40,309
Total investments	<u>\$ 548,043</u>	<u>\$ 740,325</u>	<u>\$ -</u>	<u>\$ 1,288,368</u>

# New York State Technology Enterprise Corporation

Notes to Financial Statements  
September 30, 2021 and 2020

## **Note 10 - New Accounting Pronouncements Issued But Not Yet Implemented**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01, Leases (Topic 842) Codification Improvements, which exempts entities from having to provide the interim disclosures required by ASC 250-10-50-3 in the fiscal year in which a company adopts the new leases standard. A modified retrospective transition approach is required. An entity may adopt the guidance either: (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented; or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard provides a number of practical expedients. The Corporation currently expects that upon adoption of ASU 2016-02, right of use assets and lease liabilities will be recognized in the statement of financial position will be material. The new standard, as delayed by ASU's 2019-10 and 2020-05, is effective for fiscal years beginning after December 15, 2021. The ASU is effective for the Corporation beginning on October 1, 2022.



**New York State Technology  
Enterprise Corporation**

Single Audit Reports

Year Ended September 30, 2021

# New York State Technology Enterprise Corporation

## Single Audit Reports

Year Ended September 30, 2021

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# New York State Technology Enterprise Corporation

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Provided to Subrecipients	Total Federal Expenditures
Department of Defense/				
USAF, AFMC Air Force Research Laboratory/				
Air Force Defense Research Sciences Program:				
Quantum Sciences, Training & Outreach	12.800	FA8750-19-3-6101	\$ -	\$ 146,970
AFRL SBIR/STTR Store Front	12.800	FA8750-19-3-6102	-	814,496
			<u>-</u>	<u>961,466</u>
Department of Defense/				
Defense Logistics Agency/				
IgniteU NY Procurement Technical Assistance Center	12.002	SP4800-20-2-2076	-	<u>279,776</u>
Department of Homeland Security/				
DHS Science & Technology Directorate/				
Technology Transfer and Commercialization Support for DHS	97.U01	70RSAT20TPIA0001	-	<u>56,324</u>
				<u>\$ 1,297,566</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards, Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, and Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

# New York State Technology Enterprise Corporation

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2021

### Note 1 - Summary of Significant Accounting Policies

#### a. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The purpose of the Schedule is to present a summary of those activities of the New York State Technology Enterprise Corporation (Corporation) funded by the federal government or pass-through entities for the year ended September 30, 2021, using the accrual basis of accounting. For purposes of this Schedule, federal awards include assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans and loan guarantees, and other noncash assistance. Negative amounts, if any, on the Schedule represent adjustments made to prior year expenditures in the normal course of business.

#### b. *Relationship to Financial Statements*

Federal award revenues are reported in the Corporation's financial statements as contract revenue. The Corporation's financial statements are presented using the accrual basis. The Schedule presents only a selected portion of the activities of the Corporation. It is not intended to, and does not, present either the financial position, changes in net assets, or cash flows of the Corporation.

#### c. *Direct and Indirect Costs*

Expenditures for direct and indirect costs are recognized as incurred using the accrual method of accounting and in accordance with OMB A-122, *Cost Principles for Non-Profit Organizations and the Uniform Guidance*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

The Corporation has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### Note 2 - Noncash Assistance

There were no federal awards expended in the form of noncash assistance by the Corporation during the year ended September 30, 2021.



**Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

Board of Directors  
New York State Technology Enterprise Corporation  
Rome, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New York State Technology Enterprise Corporation (Corporation), which comprise the statement of financial position as of September 30, 2021, the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2021.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BST+Co.CPAs, LLP

Albany, New York  
December 14, 2021





**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on  
Schedule of Expenditures of Federal Awards Required by  
the Uniform Guidance**

Board of Directors  
New York State Technology Enterprise Corporation  
Rome, New York

**Report on Compliance for Each Major Federal Program**

We have audited New York State Technology Enterprise Corporation's (Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended September 30, 2021. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

**Opinion on Major Federal Program**

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

## **Report on Internal Control Over Compliance**

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Corporation as of and for the year ended September 30, 2021, and have issued our report thereon dated December 14, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was



**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance - Continued**

derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

BST+Co.CPAs, LLP

Albany, New York  
December 14, 2021



# New York State Technology Enterprise Corporation

## Schedule of Findings and Questioned Costs Year Ended September 30, 2021

### **Section I - Summary of Auditor's Results**

#### *Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

#### *Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
12.002	IgniteU NY Procurement Technical Assistance Center

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

### **Section II - Financial Statements Findings**

None reported.

### **Section III – Federal Award Findings and Questioned Costs**

None reported.