Financial Statements, Required Supplementary Information and Supplementary Information

New York City Economic Development Corporation
(A Component Unit of The City of New York)
Years Ended June 30, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

New York City Economic Development Corporation

(A Component Unit of The City of New York)

Financial Statements, Required Supplementary Information and Supplementary Information

Years Ended June 30, 2014 and 2013

Contents

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Report of Independent Auditors

The Management and the Board of Directors
New York City Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of New York City Economic Development Corporation ("NYCEDC"), a component unit of The City of New York, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the NYCEDC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity 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 financial statements that are free of 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 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 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 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 NYCEDC as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NYCEDC's basic financial statements. The combining statement of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of revenues, expenses and changes in net position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining statement of revenues, expenses, and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 30, 2014, on our consideration of the NYCEDC'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 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 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 NYCEDC's internal control over financial reporting and compliance.

Ernst + Young LLP

September 30, 2014

Management's Discussion and Analysis

June 30, 2014 and 2013

This section of New York City Economic Development Corporation's ("NYCEDC" or the "Corporation") annual financial report presents our discussion and analysis of NYCEDC's financial performance during the fiscal years ended June 30, 2014 and 2013. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2014 Financial Highlights

- Reimbursable grants decreased $16 million (or 3%)
- Property rentals increased $18 million (or 11%)
- Real estate sales increased $30 million (or 97%)
- Program and project costs decreased $9 million (or 1%)
- Property rentals and related operating expenses increased $7 million (or 15%)
- Cash, cash equivalents and investments decreased $32 million (or 6%)
- Due from The City increased $17 million (or 6%)
- Loan and mortgage receivables increased $7 million (or 24%)
- Real estate obligations decreased $7 million (or 6%)
- Tenant security and deposits payables decreased $7 million (or 25%)
- Unearned revenue decreased $26 million (or 10%)

Overview of the Financial Statements

This annual financial report consists of four parts: *management's discussion and analysis* (this section), *basic financial statements, required supplementary information* and *supplementary information*. NYCEDC is organized under the not-for-profit corporation law of the State of New York. NYCEDC is also a discretely presented component unit of The City of New York ("The City"). NYCEDC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Corporation.

These statements are presented in a manner similar to a private business. While detailed sub-fund information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that NYCEDC is properly performing its contractual obligations.

Financial Analysis of the Corporation

Net Position

The following table summarizes NYCEDC's financial position at June 30, 2014, 2013 and 2012 (dollars in thousands) and the percentage changes between June 30, 2014 and 2013:

	2014	2013	2012	% Change 2014–2013
Current assets	**$ 640,408**	$ 670,583	$ 566,461	(4)%
Noncurrent assets	**403,796**	377,876	340,562	7%
Total assets	**$ 1,044,204**	$ 1,048,459	$ 907,023	–%
Current liabilities	**$ 302,625**	$ 298,786	$ 214,675	1%
Noncurrent liabilities	**390,562**	425,670	364,887	(8)%
Total liabilities	**$ 693,187**	$ 724,456	$ 579,562	(4)%
Net position:				
Restricted	**$ 90,687**	$ 93,271	$ 90,703	(3)%
Unrestricted	**246,677**	216,117	226,235	14%
Net investment in capital assets	**13,653**	14,615	10,523	(7)%
Total net position	**$ 351,017**	$ 324,003	$ 327,461	8%

Financial Analysis of the Corporation (continued)

During fiscal year 2014, total assets decreased $4 million primarily due to a $32 million decrease in cash, cash equivalents, and investments. These decreases were partially offset by a $17 million increase in amounts due from The City, and a $7 million increase in loan and mortgage receivables. The decrease in cash, cash equivalents, and investments was mainly due to the following disbursements: High Line Park development of $12 million, Water Siphon project of $12 million, and $9 million mortgage proceeds to The City for a prior year property sale at Columbus Circle. The increase in amounts due from The City of $17 million is largely due to $40 million of increased receivables from federally funded Community Development Block Grant ("CDBG") projects. The increase in loan and mortgage receivables was due to a $10.5 million mortgage note received from Crescent 110 Equities, LLC for the sale of property on 110th Street in Manhattan.

Total liabilities decreased $31 million or 4% primarily due to a $26 million decrease in unearned revenues and a $7 million decrease in real estate obligations. The decrease in unearned revenues of $26 million primarily related to the aforementioned payments made for the High Line Park and the Water Siphon project. The $7 million decrease in real estate obligations is the result of a $6 million payment to The City for Columbus Circle.

The Corporation's overall net position during fiscal year 2014 increased $27 million or 8% as a result of the fiscal year operating activities. This increase consisted of $31 million in unrestricted net position, which was offset by decreases of $3 million and $1 million in restricted net position and net investments in capital asset, respectively.

Prior Year

During fiscal year 2013, total assets increased $141 million or 16% primarily due to a $90 million increase in amounts due from The City and a $58 million increase in cash and investments. The increase in amounts due from The City was largely driven by the following capital projects: $25 million for Cornell/Technion NYC Tech Campus, $19 million for the Whitney Museum of American Art, and $9 million for the Loew's Kings Theater. Additionally, NYCEDC incurred $15 million of expenses related to Superstorm Sandy remediation work reimbursable by The City. The increase in cash, cash equivalents, and investments was a result of advance payments of $34 million from third-party donors relating to the development of the third and final phase of the High Line Park and rent prepayment received in the amount of $17 million from Albee Development.

Financial Analysis of the Corporation (continued)

Total liabilities increased $145 million or 25% primarily due to a $70 million increase in accounts payable and accrued expenses, $50 million increase in unearned revenue, $16 million increase in deposits received on pending real estate sales, and $10 million increase in retainage payable. The increases in accounts payable and accrued expenses are largely driven by increased activities for the following capital funded projects: $38 million for the Cornell/Technion NYC Tech Campus, $15 million for the Whitney Museum of American Art, and $11 million for remediation work relating to Superstorm Sandy. The increase in unearned revenues is primarily due to advance payments received for the High Line Park and Albee Development.

Net position during fiscal year 2013 overall decreased $3 million or 1% as a result of the operating activities noted below. This decrease comprised $10 million from unrestricted net position, which was offset by increases of $3 million and $4 million in restricted net position and capital asset investments, respectively.

Operating Activities

NYCEDC is The City's primary engine for economic development charged with leveraging The City's assets to drive growth, create jobs, and improve the overall quality of life within The City. Through its various divisions, NYCEDC provides a variety of services to eligible businesses that want to become more competitive, more productive and more profitable. In the process of providing its services, NYCEDC primarily generates revenues from property rentals and real estate sales.

Financial Analysis of the Corporation (continued)

The following table summarizes NYCEDC's change in net position for the fiscal years ended June 30, 2014, 2013 and 2012 (dollars in thousands) and the percentage changes between fiscal years 2014 and 2013:

	2014	2013	2012	% Change 2014–2013
Operating revenues:				
Grants	**$ 595,237**	$ 611,471	$ 497,778	(3)%
Real estate sales, property rentals	**251,036**	202,611	172,420	24%
Fees and other income	**42,217**	41,203	101,753	2%
Total operating revenues	**888,490**	855,285	771,951	4%
Operating expenses:				
Project and program costs	**613,042**	621,836	497,755	(1)%
Property rentals and related operating expenses	**53,090**	46,322	45,086	15%
Personnel services	**46,342**	46,187	46,613	–%
Contract and other expenses to The City	**125,872**	124,442	99,668	1%
Office rent and other expenses	**19,144**	21,887	67,401	(13)%
Total operating expenses	**857,490**	860,674	756,523	–%
Operating income (loss)	**31,000**	(5,389)	15,428	675%
Non-operating revenues (expenses):				
Investment income	**1,117**	297	667	276%
Reimbursable grants-Superstorm Sandy	**2,940**	4,446	–	(34)%
Emergency repairs and other expenses – Superstorm Sandy, net of insurance proceeds	**(8,043)**	(2,812)	–	186%
Total non-operating income (expenses)	**(3,986)**	1,931	667	(306)%
Change in net position	**27,014**	(3,458)	16,095	881%
Total net position, beginning of year	**324,003**	327,461	311,366	(1)%
Total net position, end of year	**$ 351,017**	$ 324,003	$ 327,461	8%

During fiscal year 2014, operating revenues increased $33 million or 4%, primarily due to increases of $30 million in real estate sales and $18 million in property rentals, partially offset by a $16 million reduction in reimbursable grants. The increase in revenues for real estate sales is a result of closed transactions for Flushing Commons, Brooklyn Academy of Music ("BAM South"), and 110th Street. The increase in property rentals is a result of The City's and NYCEDC's interest in refinancing transactions at 42nd Street Development Projects and Brooklyn Renaissance Plaza of $9.5 million and $3 million, respectively. The revenue increase also reflected higher pass-through revenues to The City of $7.8 million in PILOT funds from the 42nd Street Development Project.

Financial Analysis of the Corporation (continued)

Operating expenses during fiscal year 2014 decreased by $3 million, primarily due to decreases of $9 million in project and program costs and $2 million in other general expenses. These cost reductions were partially offset by a $7 million increase in property rentals and related operating expenses mainly reflecting the aforementioned increased revenue transfers to The City.

Accordingly, the Corporation recognized operating income of $31 million during fiscal year 2014. This constitutes an increase of $36 million or 675% compared with fiscal year 2013.

Non-operating Activities

Due to damages caused by Superstorm Sandy (see Note 20), the Corporation participated in The City's overall remediation and clean-up effort. As a result, the Corporation incurred unexpected and unusual expenses outside of the ordinary scope of the Corporation's business. NYCEDC received revenues and funding commitments from various sources in order to fully or partially offset expenses relating to the remediation, clean-up, and restoration effort. Non-operating revenues in the current fiscal year related to Superstorm Sandy totaled to $14 million, which includes $11 million from insurance proceeds and $3 million from reimbursable grants. Non-operating expenses consisted of $19 million for emergency repairs and other costs related to Superstorm Sandy.

Accordingly, the Corporation recognized income of $27 million during fiscal year 2014. This constitutes an increase of $30 million or 881% as compare with fiscal year 2013.

Prior Year

During fiscal year 2013, operating revenues increased $83 million or 11% primarily due to the increases of $114 million in reimbursable grants and $31 million of property rentals, offset by the decreases of $48 million from power sales and $18 million of other income. The increase in reimbursable grants is primarily a result of additional project and program activities related to the Cornell/Technion NYC Tech Campus, the Whitney Museum of American Art, and the Springfield Gardens. Additionally, NYCEDC received $5 million from the New York City Industrial Development Agency ("NYCIDA") and Build New York City Resource Corporation ("Build NYC") for the Hurricane Emergency Loan Program ("HELP"). The increase of property rental revenue is due to the following: property refinancing at both the Jamaica and Atlantic

Financial Analysis of the Corporation (continued)

Centers, pass-through of PILOT revenues from the 42nd Street Development Project, and reinstated tenant receivables at the Hunts Point Cooperative Market. The reduction of power sales is due to the termination of the New York City Power Utility Service ("NYCPUS") program. The decrease of other income is primarily due to the reduction of the revenue sharing from the 42nd Street Development Project.

Operating expenses during fiscal year 2013 increased by $104 million or 14% primarily due to a net increase of $124 million in project and program costs relating to the aforementioned projects. Contract and other expenses to The City increased by $24 million due to an additional supplemental contribution requested by The City. Utility expenses decreased by $48 million for utility expenses relating to the termination of the NYCPUS program.

Accordingly, the Corporation recognized an operating loss of $5 million during fiscal year 2013. This constitutes a decrease of $21 million or 135% compared with fiscal year 2012.

Due to damages caused by Superstorm Sandy (see Note 20), the Corporation participated in The City's overall remediation and clean-up project and, therefore, incurred unexpected and unusual expenses, which were outside the ordinary scope of business for the Corporation. NYCEDC received revenues and funding commitments from various sources in order to offset fully or partially expenses relating to the remediation, clean-up, and restoration project. Non-operating revenues totaled $22 million, which consists of the following: $17 million from insurance proceeds and $5 million from reimbursable grants. Non-operating expenses consist of $20 million for emergency repairs and other costs related to Superstorm Sandy.

Accordingly, the Corporation recognized a loss of $3 million during fiscal year 2013. This constitutes a decrease of $20 million or 121% as compare with fiscal year 2012.

Financial Analysis of the Corporation (continued)

Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2014, 2013, and 2012 (dollars in thousands and see Note 1) and the percentage change between June 30, 2014 and 2013:

	2014	2013	2012	% Change 2014–2013
Leasehold improvements	**$ 14,018**	$ 13,933	$ 8,789	1%
Furniture and fixtures	**7,278**	6,325	5,518	15%
	21,296	20,258	14,307	5%
Less accumulated depreciation and amortization	**(7,643)**	(5,643)	(3,784)	35%
Net capital assets	**$ 13,653**	$ 14,615	$ 10,523	(7%)

Contacting NYCEDC's Financial Management

This financial report is designed to provide our customers, clients and the public with a general overview of NYCEDC's finances and to demonstrate NYCEDC's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Public Information Officer, New York City Economic Development Corporation, 110 William Street, New York, NY 10038.

New York City Economic Development Corporation
(A Component Unit of The City of New York)

Statements of Net Position

	June 30 2014	June 30 2013
Assets		
Current assets:		
Cash and cash equivalents – current	**$ 97,278,424**	$ 132,312,596
Restricted cash and cash equivalents – current	**118,850,364**	151,817,175
Investments	**46,951,729**	37,303,192
Current portion of loans and mortgage notes receivable	**11,105,755**	2,581,645
Accrued interest receivable from loans	**219,928**	172,644
Due from The City, including $208,184,323 and $240,443,354, respectively, under contracts with The City	**302,428,875**	285,245,780
Tenant receivables, net of allowance for uncollectible amounts of $11,687,088 and $10,764,297, respectively	**49,355,518**	48,207,044
Prepaid expenses	**1,142,974**	1,255,127
Other receivables	**10,516,888**	9,629,654
Land deposits in escrow	**2,558,000**	2,058,000
Total current assets	**640,408,455**	670,582,857
Noncurrent assets:		
Restricted cash and cash equivalents	**142,967,351**	131,435,275
Unrestricted investments	**29,547,208**	10,977,750
Restricted investments	**29,681,327**	33,558,001
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of $2,111,994 and $2,128,665, respectively)	**24,956,011**	26,512,086
Tenant receivables noncurrent	**53,211,324**	50,997,923
Capital assets, net	**13,652,668**	14,615,151
Land held for development, at cost	**108,693,118**	108,693,118
Other assets	**1,087,000**	1,087,000
Total noncurrent assets	**403,796,007**	377,876,304
Total assets	**1,044,204,462**	1,048,459,161
Liabilities and net position		
Current liabilities:		
Accounts payable and accrued expenses, including $142,617,703 and $171,798,851, respectively, under contracts with The City	**233,269,393**	227,485,338
Deposits received on pending sales of real estate	**27,427,133**	23,872,758
Due to The City: real estate obligations and other	**6,233,680**	12,802,792
Unearned revenue	**33,967,133**	32,947,222
Other liabilities	**1,727,837**	1,678,271
Total current liabilities	**302,625,176**	298,786,381
Noncurrent liabilities:		
Tenant security and escrow deposits payable	**19,946,339**	26,614,999
Obligation for other post-employment benefits	**20,166,000**	19,940,000
Due to The City: real estate obligations	**105,345,500**	105,345,500
Unearned revenue, including unearned grant revenue of $39,480,015 and $39,642,625, respectively, under contracts with The City	**202,134,131**	229,578,629
Retainage payable	**42,663,460**	43,008,748
Other liabilities	**307,223**	1,181,744
Total noncurrent liabilities	**390,562,653**	425,669,620
Total liabilities	**693,187,829**	724,456,001
Net position:		
Restricted by law or under various agreements	**90,687,039**	93,271,067
Unrestricted	**246,676,926**	216,116,942
Net investment in capital assets	**13,652,668**	14,615,151
Total net position	**$ 351,016,633**	$ 324,003,160

See accompanying notes.

New York City Economic Development Corporation
(A Component Unit of The City of New York)

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2014	**2013**
Operating revenues:		
Grants	**$ 595,237,188**	$ 611,471,272
Property rentals	**189,578,483**	171,363,593
Fee income	**18,694,143**	18,480,787
Other income	**23,522,395**	22,721,748
Real estate sales, net	**61,457,619**	31,247,934
Total operating revenues	**888,489,828**	855,285,334
Operating expenses:		
Project costs	**139,227,670**	105,238,601
Program costs	**473,814,333**	516,597,604
Property rentals and related operating expenses	**53,090,300**	46,322,072
Personnel services	**46,341,827**	46,186,949
Office rent	**8,091,292**	8,309,369
Contract and other expenses to The City	**125,872,455**	124,442,487
Other general expenses	**11,052,493**	13,577,545
Total operating expenses	**857,490,370**	860,674,627
Operating income (loss)	**30,999,458**	(5,389,293)
Non-operating revenues (expenses):		
Income from investments	**1,116,686**	296,761
Reimbursable grants – Superstorm Sandy	**2,940,230**	4,446,196
Emergency repairs and other expenses – Superstorm Sandy, net of insurance proceeds	**(8,042,901)**	(2,811,725)
Total non-operating revenues	**(3,985,985)**	1,931,232
Change in net position	**27,013,473**	(3,458,061)
Net position, beginning of year	**324,003,160**	327,461,221
Net position, end of year	**$ 351,016,633**	$ 324,003,160

See accompanying notes.

New York City Economic Development Corporation
(A Component Unit of The City of New York)

Statements of Cash Flow

	Year Ended June 30	
	2014	**2013**
Operating activities		
Real estate sales	**$ 63,568,943**	$ 41,336,275
Property rentals	**188,710,648**	178,027,318
Power sales	**–**	6,322,400
Grants from The City	**550,956,125**	558,181,505
Fee income	**18,732,192**	18,930,910
Other income	**19,842,292**	5,450,291
Other income – 42nd Street Development Project	**–**	17,298,328
Project costs	**(95,871,830)**	(104,321,557)
Program costs	**(511,373,559)**	(430,250,946)
Property rentals and related operating expenses	**(51,845,296)**	(49,235,230)
Utility expenses	**(223,813)**	(5,564,432)
Personnel services	**(46,376,603)**	(45,976,918)
Office rent	**(8,091,292)**	(8,309,368)
Contract and other expenses to The City	**(125,646,412)**	(124,442,487)
Other general and administrative expenses	**(10,059,392)**	(9,706,500)
Repayments of loans and mortgage receivable	**1,589,417**	924,040
Tenant security and escrow deposits	**(6,668,660)**	3,948,374
Insurance proceeds from Superstorm Sandy	**11,270,221**	17,142,808
Reimbursable grants – Superstorm Sandy	**–**	8,154
Expenses paid for Superstorm Sandy	**(22,464,516)**	(6,255,307)
Other	**(7,755,580)**	361,068
Net cash (used in) provided by operating activities	**(31,707,115)**	63,868,726
Capital and related financing activities		
Purchase of capital assets	**(1,037,156)**	(5,951,652)
Net cash used in capital and related financing activities	**(1,037,156)**	(5,951,652)
Investing activities		
Sale of investments	**126,171,463**	47,570,809
Purchase of investments	**(150,512,784)**	(77,728,111)
Deposits on land	**(500,000)**	(167,050)
Interest income	**1,116,685**	296,761
Net cash used in investing activities	**(23,724,636)**	(30,027,591)
Net decrease (increase) in cash and cash equivalents	**(56,468,907)**	27,889,483
Cash and cash equivalents, beginning of year	**415,565,046**	387,675,563
Cash and cash equivalents, end of year	**$ 359,096,139**	$ 415,565,046

New York City Economic Development Corporation
(A Component Unit of The City of New York)

Statements of Cash Flow (continued)

	Year Ended June 30 2014	2013
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities		
Operating income (loss)	**$ 30,999,458**	$ (5,389,293)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	**1,999,639**	1,859,866
Net cash provided by non-operating activities	**(5,102,670)**	1,634,471
Changes in operating assets and liabilities:		
Accrued interest receivable	**(47,284)**	70,028
Due to/from The City	**(23,752,207)**	(97,112,348)
Tenant receivables	**(3,361,875)**	(7,875,209)
Prepaid expenses and other receivables	**(775,081)**	4,125,954
Due from State – ESDC	**–**	12,814,600
Loans and mortgage notes receivable	**(6,968,035)**	1,951,594
Tenant security and escrow deposits payable	**(6,668,660)**	3,948,375
Accounts payable and accrued expenses	**5,784,055**	70,494,724
Deposits received on pending sales of real estate	**3,554,375**	15,594,758
Obligation for OPEB	**226,000**	154,997
Unearned grant revenue	**(26,424,587)**	49,622,702
Retainage payable	**(345,288)**	10,963,085
Other current liabilities	**49,566**	713,554
Other noncurrent liabilities	**(874,521)**	296,868
Net cash (used in) provided by operating activities	**$ (31,707,115)**	$ 63,868,726
Supplemental disclosures of non-cash activities		
Unrealized loss on investments	**$ (342,981)**	$ (860,470)

See accompanying notes.

1. Background and Organization

The accompanying financial statements include the assets, liabilities, net position and the financial activities of the New York City Economic Development Corporation ("NYCEDC" or the "Corporation") and its component unit, Apple Industrial Development Corp. ("Apple").

New York City Economic Development Corporation is a not-for-profit corporation organized under the New York State ("State") Not-for-Profit Corporation Law (the "NPCL") that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code ("IRC"). NYCEDC's primary activities consist of rendering a variety of services and administering certain economic development programs on behalf of The City of New York ("The City") relating to attraction, retention and expansion of commerce and industry in The City. These services and programs include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within The City and provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided through two contracts with The City: the NYCEDC Master Contract and the NYCEDC Maritime Contract. These contracts and other related agreements with The City are herein referred to as the Contract Services.

The Corporation is the result of a merger that became effective on November 1, 2012 of NYCEDC, a local development corporation organized under section 1411 of the NPCL that was recognized by the Internal Revenue Service as a tax-exempt organization under section 501(c)(3) of the IRC and as a wholly owned instrumentality of The City, and New York City Economic Growth Corporation ("EGC"), a not-for-profit corporation organized under the NPCL (but not under section 1411 thereof).

Apple, a local development corporation organized pursuant to section 1411 of the NPCL, has contracted with NYCEDC to provide management and maintenance services for various properties under lease to or owned by NYCEDC; wharf waterfront, public market, public aviation and intermodal transportation properties that NYCEDC is responsible for managing under the NYCEDC Maritime Contract; and other properties NYCEDC is responsible for managing pursuant to the Contract Services. The contract between Apple and NYCEDC represents a subcontract (the "Subcontract") for the Contract Services and, accordingly, Apple has agreed to comply with the terms of the contracts between NYCEDC and The City.

1. Background and Organization (continued)

Complete financial statements for Apple may be obtained at its administrative offices, which are located at 110 William Street, New York, New York 10038.

All of the officers of Apple are employees of NYCEDC and the members and directors of Apple are either employees or directors of NYCEDC. As a result, Apple is reported as a blended component unit of NYCEDC. Also, NYCEDC's financial statements are included in The City's financial statements as a component unit for financial reporting purposes.

In order to present the financial position and the changes in financial position of Apple in a manner consistent with the limitations and restrictions placed upon the use of resources and NYCEDC's contractual agreement with The City and other third parties, Apple classifies its operations into the following five portfolios:

Commercial Leases Portfolio: Apple has been contracted to manage property leases between The City and various commercial and industrial tenants. For ground leases, these agreements include restrictions on the use of the land to the construction or development of commercial, manufacturing or industrial facilities. The leases also generally provide for minimum rentals plus provisions for additional rent.

Brooklyn Army Terminal Portfolio: The Brooklyn Army Terminal ("BAT") is an industrial property owned by The City that is leased to NYCEDC and managed by Apple on NYCEDC's behalf. Under the terms of the BAT lease, a reserve account of $500,000 was established from net BAT revenues for property operating and capital expenses.

Maritime Portfolio: This portfolio was established to account for Apple's management and maintenance of wharf, waterfront, public market, public aviation and intermodal transportation properties on NYCEDC's behalf pursuant to the Subcontract.

1. Background and Organization (continued)

Other Properties Portfolio: This portfolio was established to account for the activities of Apple related to certain City-owned properties and other assets for which Apple assumed management responsibilities. Pursuant to various agreements between NYCEDC and The City, the net revenue from three of the properties is retained for property operating and capital expenses or for expenses of projects in the area. The net positions retained as of June 30, 2014 and 2013, were $3,825,086 and $7,664,088, respectively. Net revenues exclude depreciation expenses. Any net revenues from the other properties are payable to NYCEDC pursuant to the Subcontract.

42nd Street Development Project Portfolio: This portfolio was established as a joint effort between The City and the State to redevelop the 42nd Street district into a vibrant office and cultural center. Ownership for all the properties was transferred from the State to The City by October 31, 2012. Pursuant to agreements between the State, The City and NYCEDC, Apple assumed management and administrative responsibilities for all leases in connection with the 42nd Street Development Project. Apple collects and remits all rental revenues to NYCEDC, which subsequently remits substantially all such revenues to The City pursuant to the agreement.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

NYCEDC follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. In its accounting and financial reporting, the Corporation follows the pronouncements of the Governmental Accounting Standards Board ("GASB").

Recently Adopted Accounting Pronouncements

In March 2012, GASB issued Statement No. 66, *Technical Corrections–2012*. The objective of this Statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements–Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance*

2. Summary of Significant Accounting Policies (continued)

Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The implementation of this standard did not have an impact on the Corporation's financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve the comparability of financial statements among governments by requiring consistent reporting by those governments that extend and/or receive nonexchange financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. The implementation of this standard did not have a significant impact on the Corporation's financial statements.

Upcoming Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of this standard will not have a significant impact on the Corporation's financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve the accounting for mergers and acquisitions among state and local governments by providing guidance specific to the situations and circumstances encountered within the governmental environment. The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The implementation of this standard will not have an impact on the Corporation's financial statements.

2. Summary of Significant Accounting Policies (continued)

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of this standard will not have an impact on the Corporation's financial statements.

Revenue and Expense Classification

NYCEDC distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing the Contract Services to The City in connection with NYCEDC's principal on-going operations. The principal operating revenues are grants from and through The City, rentals of City-owned property, and sales of property (see Real Estate Sales under this note). NYCEDC's operating expenses include project and program costs, property rental charges, and related administration expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is NYCEDC's policy to use restricted resources first, and then unrestricted resources as needed.

Grants

NYCEDC administers certain reimbursement and other grant funds from and through The City under its contracts with The City.

A reimbursement grant is a grant awarded for a specifically defined project and is generally administered such that NYCEDC is reimbursed for any qualified expenditures associated with such projects.

2. Summary of Significant Accounting Policies (continued)

NYCEDC records reimbursement grants from The City as revenue when the related program costs are incurred. Differences between the program costs incurred on specific projects and the related receipts are reflected as due from The City or as unearned revenue in the accompanying statements of net position.

Other grants are recorded as revenue when earned.

Property Rentals

Property rentals are recognized on a straight-line basis over the term of the leases.

Real Estate Sales

Proceeds from sales of City-owned properties, other than proceeds in the form of a promissory note from the purchaser in favor of NYCEDC, are recognized as income at the time of closing of the sale. Deposits received from prospective purchasers prior to closing are included in the accompanying statements of net position as deposits received on pending sales of real estate.

Beginning in fiscal 1990, for sales of City-owned property in which NYCEDC has accepted a long-term promissory note from a purchaser in lieu of cash, in addition to the note receivable, corresponding unearned revenue is recorded at the time of closing. Due to collectability risks associated with these promissory notes, such unearned revenue is amortized into income ratably as payments are made.

Retainage Payable

Retainage payable is treated as non-current due to the long-term nature of the related contracts.

2. Summary of Significant Accounting Policies (continued)

Loans and Mortgage Notes Receivable

Loans to finance the acquisition of land and buildings are generally repayable over a 15 to 25 year period. Generally, all such loans for acquisition are secured by second mortgages or other security interest and carry below market interest rates. In response to Superstorm Sandy NYCEDC also partnered in establishing a portfolio for the Hurricane Emergency Loan Program (“HELP”) (see Notes 7 and 20), which is generally repayable over a three-year period. NYCEDC provides an allowance for loan losses based on an analysis of a number of factors, including the value of the related collateral. Based on established procedures, NYCEDC writes off the balances of those loans determined by management to be uncollectible.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and on hand, money market funds, money market deposit accounts, certificates of deposit and highly liquid debt instruments with original maturities of three months or less. Cash equivalents are stated at fair value, other than certificates of deposit, which are valued at cost.

Restricted Cash and Investments

Restricted cash and investments include amounts related to operations or programs administered on behalf of The City and, accordingly, such amounts are not available for use by NYCEDC for general corporate purposes.

Capital Assets

Capital asset purchases for internal use by NYCEDC in excess of $10,000 and consisting primarily of leasehold improvements, furniture, and equipment are capitalized and depreciated using the straight-line method over the life of the lease or the estimated useful life assigned. The useful life of the furniture and equipment varies from three to five years. Asset purchases for use in operations or at various properties have useful lives from 7 to 20 years.

Disbursements made by NYCEDC on behalf of The City for, among other things, capital projects, tenant build-outs, and leasing commissions in connection with rental operations are reflected as expenses in the year they are incurred.

2. Summary of Significant Accounting Policies (continued)

It is the Corporation's policy to record disposed assets as these are retired from use.

Tax Status

The currently reported income of NYCEDC qualifies for exclusion from gross income for federal income tax purposes under IRC 115.

Apple's income is exempt from federal income taxes under IRC 501(c)(3).

Reclassifications

Certain reclassifications have been reflected to the prior year financial statements to conform to the current year's presentation.

3. Contracts With The City of New York

NYCEDC Master Contract

The City and NYCEDC have entered into the NYCEDC Master Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of industrial and commercial development within The City, including among others (1) facilitating commercial and industrial development projects, (2) stabilizing and improving industrial areas (3) administering public loan, grant, and subsidy programs, (4) encouraging development of intrastate, interstate and international commerce, and (5) managing and maintaining certain City-owned properties.

In partial consideration of the services rendered by NYCEDC pursuant to the NYCEDC Master Contract, NYCEDC may retain (1) net revenues resulting from the sale or lease of City-owned properties, and (2) certain interest and other related income received by NYCEDC for financing programs administered on behalf of The City, up to a contract cap. For fiscal years ended June 30, 2014 and 2013, net revenues generated from such sources amounted to $115,974,993 and $91,108,001, respectively. Income self-generated by NYCEDC, including interest earned on all cash accounts related to unrestricted operations and certain fees earned for services rendered that are not payable by The City, may be retained by NYCEDC under the NYCEDC Master Contract without regard to the contract cap.

3. Contracts With The City of New York (continued)

Pursuant to section 11.05 of the NYCEDC Master Contract, at any time upon written request of the Mayor of The City or his designee, NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC's unrestricted net position exceeds $7,000,000. At the direction of The City, NYCEDC was required to remit $52,967,560 and $73,815,488 from its unrestricted net position in fiscal years 2014 and 2013, respectively, which are accounted for as contract and other expenses to The City in the statements of revenues, expenses and changes in net position.

The term of the NYCEDC Master Contract is one year commencing on July 1 and may be extended by The City for up to one year. The City may terminate this contract at its sole discretion upon 90 days written notice. Upon termination of this contract, NYCEDC must remit to The City all program funds or other assets subject to certain prescribed limitations.

NYCEDC Maritime Contract

The City and NYCEDC have entered into the NYCEDC Maritime Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of waterfront, intermodal transportation, market, freight and aviation development and commerce. The services provided under this contract include (1) retaining maritime business and attracting maritime business to The City, (2) managing, developing, maintaining, and promoting The City's waterfront, markets, aviation, freight and intermodal transportation, and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

In the performance of its services under the NYCEDC Maritime Contract, NYCEDC collects monies, including but not limited to, rents and other revenues from tenants of certain City-owned properties managed by NYCEDC in connection with its maritime program (see Note 11). In consideration of the services rendered by NYCEDC pursuant to the NYCEDC Maritime Contract, The City has agreed to pay NYCEDC for all costs incurred in the furtherance of The City's objectives under this contract, to the extent such costs have been provided for in The City-approved budget ("Budget") as called for by the NYCEDC Maritime Contract. Any Reimbursable Expenses, as defined in the NYCEDC Maritime Contract, may be retained by NYCEDC out of the net revenues generated on The City's behalf, to the extent such expenses are not provided for in the Budget (the "Reimbursed Amount"). For the fiscal years ended June 30,

3. Contracts With The City of New York (continued)

2014 and 2013, the Reimbursed Amount was $28,302,460 and $27,903,712, respectively. Net revenues generated on The City's behalf for services under the NYCEDC Maritime Contract in excess of the Reimbursed Amount must be remitted to The City on a periodic basis. The operations covered by the NYCEDC Maritime Contract generated approximately $16,718,000 in net revenues in both fiscal years 2014 and 2013.

Pursuant to section 9.06 of the NYCEDC Maritime Contract, at any time upon written request of the Mayor of The City or his designee, NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC's maritime net position exceeds $7 million.

At the direction of The City, NYCEDC was required to remit $16,718,000 for each of fiscal years 2014 and 2013, pursuant to the NYCEDC Maritime Contract, and such amounts are included in the accompanying statements of revenues, expenses and changes in net position under contract and other expenses to The City. The entire amounts required were remitted at June 30, 2014 and 2013, respectively.

The term of the NYCEDC Maritime Contract is one year commencing on July 1, and may be extended by The City for up to one year. The City may terminate this contract at its sole discretion upon 90 days written notice. Upon termination of this contract, NYCEDC must remit to The City all program funds or other assets subject to certain prescribed limits.

Other Agreements

In addition, NYCEDC remits rental amounts collected from two sources to The City: the 42nd Street Development Project and the Times Square Marriott Marquis ground lease rental payments. NYCEDC remits payment deemed to be restricted based upon agreements with The City. The amounts remitted from these two sources for fiscal year 2014 and fiscal year 2013 were $64 million and $58 million, respectively.

4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2014, grant revenue was $598,177,418, of which $572,093,185 comprised reimbursement grants from and through The City. For the year ended June 30, 2013, grant revenue was $615,917,468 of which $576,449,312 comprised reimbursement grants from and through The City.

4. Grants (continued)

Grant revenue earned during fiscal year 2014 consists of $595,237,188 for operating activities in the ordinary course of business, of which $2,940,230 related to reimbursement of Superstorm Sandy expenses from the Federal Emergency Management Agency ("FEMA") and the Federal Transit Administration ("FTA").

5. Land Held for Development

NYCEDC may purchase land to help achieve The City's and NYCEDC's redevelopment goals. During fiscal year 2010, NYCEDC purchased several parcels of land in Coney Island ("Coney") to assist with the implementation of a comprehensive economic development plan to strengthen the Coney amusement area. The cost of these property acquisitions was $105.3 million, for which NYCEDC received capital funds from The City. Upon acquisition, NYCEDC assumed the management of several leases on the properties, which were in effect. In addition, NYCEDC leased certain acquired parcels in furtherance of the goals and vision for Coney. The terms of both the assumed leases and the leases created by NYCEDC end in 2027. NYCEDC may convey the site to The City, for nominal consideration, at any time. This amount is reflected as real estate obligations due to The City. Also included in land held for development is approximately $3.4 million for other properties. No additional land purchases were made in fiscal year 2014 and 2013.

6. Other Income

The following table summarizes other income for the fiscal years ended June 30, 2014 and 2013:

	2014	**2013**
Tenant reimbursements	**$ 6,759,550**	$ 6,213,877
Developer contributions	**3,785,449**	4,166,057
Interest income from loans	**1,200,024**	1,313,073
Loan recovery income	**911,037**	319,203
Other income – 42nd Street	**–**	4,483,728
Miscellaneous income	**10,866,335**	6,225,809
Total	**$ 23,522,395**	$ 22,721,747

7. Loans and Mortgage Notes Receivable

NYCEDC has received installment notes from purchasers of certain real property sold by NYCEDC following NYCEDC's purchase of such property from The City. The installment notes are secured by separate purchase money mortgages on the properties sold. At June 30, 2014 and 2013, these mortgage notes totaled $14,570,974 and $7,889,440, respectively, exclusive of interest receivable.

NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with their corporate mission and contractual obligations with The City. These loans were made to borrowers whose business operations are likely to provide employment generation, increase tax revenue, improve the physical environment of areas, stabilize neighborhoods, or provide other benefits to The City. Collectively, the installment notes and loans form the Finance Programs.

Additionally, the Corporation, as the junior lender, partnered with Goldman Sachs, as the senior lender, to lend funds to New York Business Development Corporation ("NYBDC"), to enable NYBDC to establish and operate HELP, a loan program for certain businesses affected by Superstorm Sandy. The term of a HELP loan can be up to three years. The Corporation received $4 million and $1 million from New York City Industrial Development Agency ("NYCIDA") and Build NYC Resource Corporation ("Build NYC"), respectively, for this program during 2013.

7. Loans and Mortgage Notes Receivable (continued)

At June 30, 2014, the loan and mortgage notes portfolio consisted of 20 loans that bear interest at rates ranging from 0% to 18% and mature at various dates through October 1, 2038.

Scheduled maturities of principal for these loans for the next five years and thereafter are as follows:

	Principal Maturity	Interest
Fiscal Year:		
2015	$ 11,105,190	$ 1,010,053
2016	5,973,554	817,593
2017	1,237,547	775,082
2018	528,908	749,243
2019	471,651	732,718
2020–2024	10,685,512	2,725,120
2025–2029	6,645,000	1,106,701
2030–2034	1,179,733	19,252
2035–2038	346,665	–
	38,173,760	$ 7,935,762
Allowance for uncollectible amounts	(2,111,994)	
Loans and mortgage notes receivable, net	$ 36,061,766	

NYCEDC's three largest loans in fiscal 2014 represent approximately 54% of its loan portfolio balance. The composition of the nine largest loans, comprising 97% of the entire portfolio, by industry type, at June 30, 2014, was as follows: real estate development 36% and other service 61%.

The ability of the borrowers to honor their contracts may be affected by a downturn in The City's economy, which may ultimately limit the funds available to repay interest and principal.

The City may, at its discretion, request payment of certain amounts received by NYCEDC from the administration of certain programs within the Finance Programs.

8. Due to/From The City of New York

NYCEDC is required to remit amounts to The City under the NYCEDC Master Contract (see Note 3). The unremitted portion of such amounts at June 30, 2014 and 2013, amounted to $6,007,638 and $12,799,672, respectively.

Pursuant to the various contracts with The City, NYCEDC recorded total grants from and through The City in the amount of $572,093,185 and $576,449,312 during fiscal years 2014 and 2013, respectively, of which $208,184,323 and $240,443,354 in capital funds were unpaid by The City as of June 30, 2014 and 2013, respectively. These unpaid amounts are included in the accompanying statements of net position as due from The City.

9. Capital Assets

Changes in capital assets for the years June 30, 2012 to June 30, 2014, consisted of the following:

	June 30, 2012	Additions/ Depreciation	Disposals	June 30, 2013	Additions/ Depreciation	Disposals	June 30, 2014
Equipment	$ 5,024,754	$ 583,012	$ –	$ 5,607,766	$ 868,887	$ (12,000)	**$ 6,464,653**
Leasehold improvements	8,788,674	5,144,781	–	13,933,455	84,256	–	**14,017,711**
Computer software	493,421	223,859	–	717,280	96,013	–	**813,293**
Capital assets	14,306,849	5,951,652	–	20,258,501	1,049,156	(12,000)	**21,295,657**
Less:							
Accumulated depreciation	(3,783,484)	(1,859,866)	–	(5,643,350)	(2,011,639)	12,000	**(7,642,989)**
Capital assets, net	$ 10,523,365	$ 4,091,786	$ –	$ 14,615,151	$ (962,483)	$ –	**$ 13,652,668**

Depreciation and amortization of capital assets for the fiscal years ended June 30, 2014 and 2013, were $2,011,639 and $1,859,866, respectively.

10. Cash and Investments

Cash

The bank balance of NYCEDC's cash deposits was $304,668,257, of which $10,813,413 was covered by federal depository insurance and $167,983,479 was collateralized by securities held by the pledging financial institution. The remaining balance was uncollateralized at June 30, 2014. Emergency funds on hand amounted to $4,500 at June 30, 2014.

10. Cash and Investments (continued)

Investments

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations issued by an agency or instrumentality of the United States of America. Other permitted investments include short-term commercial paper, certificates of deposit and bankers acceptances. All investments are subject to certain limitations and conditions and are carried at fair value, except for certificates of deposit, which are valued at cost.

As of June 30, 2014 and 2013, the Corporation had the following investments. Investments maturities are shown for June 30, 2014, only (in thousands).

	Fair Value		Investment Maturities at June 30, 2014 in Years	
	2014	**2013**	**Less than 1**	**1 to 7**
Money market and mutual funds	**$ 26,198**	$ 52,912	$ 26,198	$ –
Money market deposit account	**22,236**	32,649	22,236	–
FHLB notes	**21,120**	16,713	13,888	7,232
FHLMC notes	**34,223**	34,958	15,898	18,325
Commercial paper	**26,490**	12,984	26,490	–
FFCB notes	**13,933**	6,222	6,619	7,314
FNMA notes	**16,262**	12,733	5,059	11,203
Certificates of deposit and other	**2,650**	1,452	1,931	719
	163,112	170,623	$ 118,319	$ 44,793
Less amount classified as cash equivalents	**(56,932)**	(88,784)		
Total investments	**$ 106,180**	$ 81,839		

At June 30, 2014 and 2013, cash, cash equivalents and investments of $291,499,042 and $316,810,451, respectively, were restricted for use in connection with designated programs of NYCEDC.

10. Cash and Investments (continued)

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Corporation limits 80% of its investments to instruments maturing within two years of the date of purchase. The remaining 20% of the portfolio may be invested in instruments with maturities up to a maximum of seven years.

Credit Risk – It is the Corporation's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the U.S. government or issued by its agencies. As of June 30, 2014, the Corporation's investments in Federal National Mortgage Association ("FNMA"), Federal Home Loan Bank ("FHLB"), Federal Farm Credit Bank ("FFCB") and the Federal Home Loan Mortgage Corporation ("FHLMC") were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and/or F1+ by Fitch Ratings). Money market and mutual funds are not rated by these agencies.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Corporation.

The Corporation manages custodial credit risk by limiting possession of its investments to highly rated institutions and/or requiring that high-quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2014, the Corporation was not subject to custodial credit risk.

10. Cash and Investments (continued)

Concentration of Credit Risk – The Corporation places no limit on the amount the Corporation may invest in any one issuer. The following table shows investments that represent 5% or more of total investments as of June 30, 2014 and 2013 (dollars in thousands).

	Dollar Amount and Percentage of Total Investments			
Issuer	**June 30, 2014**		**June 30, 2013**	
Federal Home Loan Bank	**$ 21,120**	**19.89%**	$ 16,713	20.42%
Federal National Mortgage Assoc.	**16,262**	**15.32**	12,733	15.56
Federal Home Loan Mortgage Corp.	**34,223**	**32.23**	34,958	42.72
Federal Farm Credit Bank	**13,933**	**13.12**	6,222	7.60

Investment Income

Investment income includes unrealized gains and losses on investments as well as interest earned on bank accounts, certificates of deposit and securities. Investment income amounted to $1,116,686 and $296,761 for the fiscal years ended June 30, 2014 and 2013, respectively.

11. Ground Leases and Properties Managed by NYCEDC on Behalf of The City

NYCEDC is contracted by The City to manage and maintain properties on behalf of The City, including certain City-owned properties that are leased to NYCEDC. NYCEDC in turn, leases or subleases the properties to commercial and industrial tenants. For ground leases, these agreements generally include restrictions on the use of the land to the construction or development of commercial, manufacturing or industrial facilities. All managed leases generally provide for minimum rentals plus provisions for additional rent. Certain agreements also provide for renewals at the end of the initial lease term for periods ranging from 10 to 50 years.

11. Ground Leases and Properties Managed by NYCEDC on Behalf of The City (continued)

The future minimum rental income as of June 30, 2014, payable by the tenants under the leases and subleases, all of which are accounted for as operating leases, are as follows:

Fiscal Year	Minimum Rental Income From BAT Tenants	Minimum Rental Income From Commercial Tenants	Minimum Rental Income From Maritime Tenants	Minimum Rental Income from 42nd St Development Proj. Tenants	Minimum Rental Income From Other Tenants	Total
2015	$ 16,884,824	$ 13,498,281	$ 36,431,847	$ 3,177,046	$ 419,257	$ 70,411,255
2016	14,606,432	12,731,524	34,342,885	3,177,046	88,101	64,945,988
2017	11,200,886	11,871,278	32,022,869	3,177,046	–	58,272,079
2018	8,078,034	11,680,515	30,684,547	3,177,046	–	53,620,142
2019	6,477,843	11,543,622	29,362,244	3,177,046	–	50,560,755
2020 – 2024	23,888,425	49,172,616	130,944,573	15,885,231	–	219,890,845
2025 – 2029	4,863,166	44,513,898	91,483,989	15,885,231	–	156,746,284
2030 – 2034	4,148,200	41,673,595	55,171,842	15,885,231	–	116,878,868
2035 – 2039	4,148,200	40,824,923	35,140,782	15,885,231	–	95,999,136
2040 – 2044	4,148,200	40,509,580	12,514,935	15,885,231	–	73,057,946
Thereafter	7,950,718	266,330,603	41,090,708	216,895,970	–	532,267,999
Total	$ 106,394,928	$ 544,350,435	$ 529,191,221	$ 312,207,355	$ 507,358	$ 1,492,651,297

The thereafter category includes 44 leases with expiration dates between July 1, 2045 and December 31, 2100.

12. Tenant Receivables – Noncurrent

Total Noncurrent Tenant Receivables for the year ended June 30, 2014 were $53,211,324.

Pursuant to the ground leases with certain Forest City companies, costs incurred to acquire the properties prior to execution of these leases are to be reimbursed by the developer. The total to be repaid for these properties is $52,225,537, of which $33,215,767 is for Jay Street (One Metrotech Center), $8,276,566 is for Bridge Street (Two Metrotech Center), $6,971,204 is for Tech Place (11 Metrotech Center) and $3,762,000 is for Myrtle Avenue (Nine Metrotech Center). These receivables will be paid over a 20-year period as specified by the leases and are offset by an equal amount that has been recorded as unearned revenues that will be recognized to revenue over the life of the agreements.

12. Tenant Receivables – Noncurrent (continued)

Additionally, pursuant to a lease amendment with the Hunts Point Cooperative Market, tenant receivables in arrears totaling $985,787 were deferred to be paid over a 20-month period beginning in February 2017.

13. 42nd Street Development Project

The 42nd Street Development Project (the "Project") was conceived in the 1980s to transform the properties in the 42nd Street area between 7th and 8th Avenues. For a number of years, NYCEDC has overseen the ground leases for the Project on behalf of The City. By October 2012, all title to the properties, that comprise the Project, transferred from the State to The City.

For all periods after January 1, 2011, NYCEDC, in accordance with section 11.05 of the NYCEDC Master Contract, is to transfer to The City all payments in lieu of taxes, real estate taxes and substantially all rental revenues it collects on the Project, other than $1 million per fiscal year. NYCEDC is permitted to keep these revenues pursuant to section 3.07 of the Master Contract for its administrative services.

14. Pension Plan

NYCEDC maintains a defined contribution pension plan, which covers substantially all employees. The pension plan provides for variable contribution rates by NYCEDC ranging from 6% to 14% of the employees' eligible wages, as defined in the IRC. Pension expense for the fiscal years ended June 30, 2014 and 2013, amounted to $3,101,319 and $3,116,855, respectively, and is included in personnel services in the accompanying statements of revenues, expenses, and changes in net position.

15. Postemployment Benefits Other Than Pensions

NYCEDC sponsors a single employer defined benefit health care plan that provides postemployment medical benefits for eligible retirees and their spouses. Commonly referred to as a plan for Other Post-Employment Benefits ("OPEB"), this plan was amended during February 2011 with an effective date of July 1, 2011. The amendment includes revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. As a result of the amendment, the plan maintains the current benefit structure, but plan participation will continue for only certain groups of members, who are (i) all retired members, (ii) all active employees hired prior to April 1, 1986, who are ineligible for Medicare coverage when they depart NYCEDC, and (iii) all active employees who started working prior to January 1, 2011, and will meet the benefit eligibility requirement of age 60 or older with at least 10 years of service by June 30, 2023 and retire on or before June 30, 2023. NYCEDC is not required to and does not issue a publicly available financial report for the plan.

Benefit provisions and contribution requirements for the plan are established and amended through NYCEDC's Board of Directors and there is no statutory requirement for NYCEDC to continue this plan for future NYCEDC employees. The plan is a contributory plan with retirees subject to contributions established for either the Low or High version of the plan. Retirees receiving the post-employment health benefit pay a premium amount equal to what a current NYCEDC employee pays, based on his or her family status. Under the Low option, retirees make contributions in the amount of $50 a month for single coverage and $100 a month for family coverage. Under the High option, retiree contributions are $100 a month for single coverage and $200 a month for family. Additional costs may be incurred by the retiree under either the Low or High plan version. At June 30, 2014 and 2013, there were 26 and 23 retirees, respectively receiving benefits, all under the Low version of the plan. Employer contributions are made on a pay-as-you-go basis.

15. Postemployment Benefits Other Than Pensions (continued)

NYCEDC's annual OPEB cost for the plan is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. NYCEDC's annual OPEB cost for the current year and the related information for the plan are as follows (dollars in thousands):

	2014	**2013**
Annual required contribution	**$ 2,236**	$ 2,167
ARC adjustment	**(2,398)**	(2,378)
Interest on net OPEB obligation	**698**	692
Annual OPEB cost	**536**	481
Contributions made	**(310)**	(326)
Increase in net OPEB obligation	**226**	155
Net OPEB obligation – beginning of year	**19,940**	19,785
Net OPEB obligation – end of year	**$ 20,166**	$ 19,940

NYCEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013, and 2012 were as follows (dollars in thousands):

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
06/30/14	$ 536	57.88%	$ 20,166
06/30/13	481	67.78	19,940
06/30/12	774	52.20	19,785

The actuarial valuation date is June 30, 2012. The actuarial accrued liability for benefits as of this date was $23,502,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $35,242,912 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 66.7%.

15. Postemployment Benefits Other Than Pensions (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between NYCEDC and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The impact of the National Health Care Reform Act has been included in the valuation as of June 30, 2012.

For the June 30, 2012 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate and an annual healthcare cost trend rate of 9.5% for non-Medicare and 7.5% for Medicare and grading down to an ultimate rate of 4.5% for both. The unfunded actuarial accrued liability is being amortized over a 30-year closed period on a level-dollar basis. The remaining amortization period at June 30, 2014, was 26 years.

16. Other Related-Party Transactions

New York City Land Development Corporation ("LDC")

On May 8, 2012, The City formed LDC as a local development corporation organized under section 1411 of the NPCL. LDC is engaged in economic development activities by means of assisting The City with leasing and selling certain properties. No management fees were established between NYCEDC and LDC in the current fiscal year. Instead, NYCEDC provides LDC operating grant funding for LDC's general and administrative expenses. For the periods ended June 30, 2014 and 2013, $19,582 and $22,499, respectively, was provided to LDC for such expenses.

New York City Industrial Development Agency ("IDA")

NYCEDC is responsible for administering the economic development programs of IDA. For the fiscal years ended June 30, 2014 and 2013, NYCEDC earned management fee income from IDA of $6,052,117. In fiscal year 2014, a contingency fee of $1,021 was earned by NYCEDC from IDA's recapture of benefits from one project company. Such amounts are included in fee income in NYCEDC's accompanying statements of revenues, expenses and changes in net position. At June 30, 2014 and 2013, the amounts due from IDA totaled $870,829 and $672,067, respectively.

Build NYC Resource Corporation ("Build NYC")

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an agreement between NYCEDC and Build NYC, NYCEDC provides management services to Build NYC and administers Build NYC's financial books and records. For the fiscal years ended June 30, 2014 and 2013, NYCEDC earned management fee income from Build NYC of $80,000 and $20,001, respectively.

Other City Related Entities

NYCEDC collected additional management fees from The Trust for Cultural Resources of New York City ("TCR") and New York City Energy Efficiency Corporation ("EEC"). During fiscal year 2014, NYCEDC earned management fees of $310,000 and $36,652 from TCR and EEC, respectively.

17. Commitments and Contingencies

NYCEDC rents office space under a lease agreement expiring in fiscal year 2020. The future minimum rental commitments as of June 30, 2014, required under the operating lease are as follows:

Fiscal year:	
2015	$ 7,557,928
2016	7,599,491
2017	7,599,491
2018	7,599,491
2019	7,599,491
2020 (2 months)	1,266,581
	$ 39,222,473

Rent expense for office space amounted to $8,091,292 and $8,309,368 for fiscal years ended June 30, 2014 and 2013, respectively.

NYCEDC, and in certain situations as co-defendant with The City, Apple, and/or IDA, is involved in personal injury, property damage, breach of contract, environmental and other miscellaneous claims and lawsuits in the ordinary course of business. NYCEDC believes it has meritorious defenses or positions with respect thereto. In management's opinion, such litigation is not expected to have a materially adverse effect on the financial position of NYCEDC.

NYCEDC was the obligee on a promissory note given to NYCEDC by House of Spices Realty, LLC. The principal amount of the promissory note was $3,600,000 with a maturity date of January 30, 2014. The promissory note was subject to certain cancellation provisions. These provisions were met, and the promissory note was canceled effective January 29, 2014.

NYCEDC was the co-trustee along with 42nd Street Development Corporation (a subsidiary of New York State Urban Development Corporation d/b/a Empire State Development Corporation ("ESDC") for the use of certain development funds under the 42nd Street Development Project. The trustees jointly extended a loan to the New Amsterdam Development Corporation ("NADC" or the "borrower") for renovation of the New Amsterdam Theatre. The principal loan amount of $25,560,278 was evenly disbursed by the trustees and matures on January 31, 2027. Interest on

17. Commitments and Contingencies (continued)

the loan ranges between 3% and 3.5%. NYCEDC's portion of the loan, $12,780,139, was reimbursed to NYCEDC by The City. The conduit loan payment constitutes both a receivable from NADC and a payable to The City. For financial statement purposes, both receivables and payables are netted against each other and are not presented separately.

The Corporation's Finance Program is designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for The City. In this regard, NYCEDC acts as a guarantor under two loan guarantee programs: the NYC Capital Access Revolving Loan Guarantee Program and the Immigrant Bridge Loan Fund. The loan guarantee programs enable qualified businesses to gain access to bank loans or lines of credit. NYCEDC guarantees can be up to 35% of the loan amount. As of June 30, 2014, the Corporation's aggregate commitment for these programs is $5.5 million, of which $2.3 million is currently outstanding and can be called upon.

18. Risk Management

NYCEDC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NYCEDC carries commercial insurance coverage for these risks. Settled claims resulting from losses to Superstorm Sandy amounted to $11 million in this fiscal year. The insurance proceeds were received by NYCEDC on behalf of Apple and NYCEDC (see Note 20). Settlements, other than Superstorm Sandy-related claims, have not exceeded coverage for each of the past three fiscal years.

19. Net Position

In order to present the financial condition and operating results of NYCEDC in a manner consistent with the limitations and restrictions placed upon the use of resources, NYCEDC classifies its net position into three categories: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets includes capital assets net of accumulated depreciation used in NYCEDC's operations. The restricted net position includes net position that has been restricted in use in accordance with the terms of an award or agreement (other than the net position generally available for City program activities under the NYCEDC Master Contract and the NYCEDC Maritime Contract) or by law. The unrestricted net position includes all net position not included above. The NYCEDC Master Contract and the NYCEDC Maritime Contract limit the use of all unrestricted net position to City program activities except for unrestricted net position resulting from income self-generated by NYCEDC.

Changes in Net Position

The changes in net position during fiscal years 2014 and 2013 are as follows:

	Restricted	Unrestricted	Net Investment in Capital Assets	Total
Net position, June 30, 2012	$ 90,703,098	$ 226,234,758	$ 10,523,365	$ 327,461,221
(Decrease) increase in net position	2,567,969	(6,026,030)	–	(3,458,061)
Capital assets additions	–	(5,951,652)	5,951,652	–
Retirements/depreciation	–	1,859,866	(1,859,866)	–
Net position, June 30, 2013	93,271,067	216,116,942	14,615,151	324,003,160
(Decrease) increase in net position	**(2,584,028)**	**29,597,501**	**–**	**27,013,473**
Capital assets additions	**–**	**(1,049,156)**	**1,049,156**	–
Retirements/depreciation	**–**	**2,011,639**	**(2,011,639)**	–
Net position, June 30, 2014	**$ 90,687,039**	**$ 246,676,926**	**$ 13,652,668**	**$ 351,016,633**

20. Superstorm Sandy

Superstorm Sandy ("Sandy") made landfall in New York City on October 29, 2012. The severe and widespread water and wind damage affected many individuals, businesses and organizations. Many City assets that are managed, maintained, and/or leased by NYCEDC were directly impacted by Sandy. Affected assets primarily included waterfront facilities, wharfs, and public markets, all of which are managed by NYCEDC pursuant to the NYCEDC Master and Maritime Contracts. NYCEDC has and will continue to remediate, clean up, and restore these properties to pre-storm conditions. Sandy-related expenses were recorded as non-operating expenses. For the years ended June 30, 2014 and 2013, these expenses totaled $19,313,122 and $19,954,534, respectively. Property and flood insurance coverage were in effect for certain properties, and claim payments were received from insurers and recorded as non-operating revenues totaling $11,270,221 and $17,142,809 for the years ended June 30, 2014 and 2013, respectively. Additional non-operating revenues of $2,940,230 and $4,446,196 for years ended June 30, 2014 and 2013, respectively, have been recognized pursuant to federal reimbursable grants from the FTA and FEMA. Due to the severity of the damage, many anticipated costs have yet to be incurred. The restoration work will continue to progress, and this activity is expected to be captured in the coming fiscal years.

	Years Ended June 30		From October 29, 2012
	2014	**2013**	**Total**
Emergency repairs and other expenses – Sandy	**$ 19,313,122**	$ 19,954,534	$ 39,267,656
Less: Insurance proceeds	**(11,270,221)**	(17,142,809)	(28,413,030)
	8,042,901	2,811,725	10,854,626
Less: Reimbursable grants-FEMA	**(1,166,891)**	(668,946)	(1,835,837)
Less: Reimbursable grants-FTA	**(1,773,339)**	(3,760,965)	(5,534,304)
Less: Reimbursable grants-State	**–**	(16,285)	(16,285)
Net Sandy-related expenses	**$ 5,102,671**	$ (1,634,471)	$ 3,468,200

21. Condensed Combining Information

The following are Condensed Statements of Net Position as of June 30, 2014 and 2013, Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended June 30, 2014 and 2013, and Condensed Statements of Cash Flows for the years ended June 30, 2014 and 2013, for the NYCEDC and its component unit, Apple.

New York City Economic Development Corporation
Condensed Statements of Net Position
($ in Thousands)

	June 30, 2014			
	NYCEDC	Apple	Eliminations	Total
Assets				
Current assets	$ 554,792	$ 85,616	$ –	$ 640,408
Due from Apple	57,952	–	(57,952)	–
Noncurrent assets	300,116	103,680	–	403,796
Total assets	$ 912,860	$ 189,296	$ (57,952)	$ 1,044,204
Liabilities				
Current liabilities	$ 261,299	$ 41,326	$ –	$ 302,625
Due to EDC	–	57,952	(57,952)	–
Noncurrent liabilities	304,921	85,641	–	390,562
Total liabilities	$ 566,220	$ 184,919	$ (57,952)	$ 693,187
Net position				
Restricted	$ 87,131	$ 3,556	$ –	$ 90,687
Unrestricted	246,625	52	–	246,677
Net investment in capital assets	12,884	769	–	13,653
Total net position	$ 346,640	$ 4,377	$ –	$ 351,017

21. Condensed Combining Information (continued)

New York City Economic Development Corporation
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
($ in Thousands)

	For the Year Ended June 30, 2014 NYCEDC	Apple	Eliminations	Total
Operating revenues	$ 685,015	$ 203,475	$ –	$ 888,490
Operating expenses	711,413	141,334	4,743	857,490
Operating income (loss)	(26,398)	62,141	(4,743)	31,000
	–	–	–	–
Nonoperating revenues (expenses), net	(4,169)	(4,560)	4,743	(3,986)
Income (loss) before transfers	(30,567)	57,581	–	27,014
Interfund transfers	61,419	(61,419)	–	–
Change in net position	30,852	(3,838)	–	27,014
Net position, beginning of year	315,787	8,216	–	324,003
Net position, end of year	$ 346,639	$ 4,378	$ –	$ 351,017

New York City Economic Development Corporation
Condensed Statement of Cash Flows
($ in Thousands)

	For the Year Ended June 30, 2014 NYCEDC	Apple	Eliminations	Total
Net cash provided by (used in) operating activities	$ (100,407)	$ 73,443	$ (4,743)	$ (31,707)
Capital and related financing activities	(863)	(4,917)	4,743	(1,037)
Investing activities	(23,908)	183	–	(23,725)
Non capital financing activities	61,420	(61,420)	–	–
Net increase (decrease)	(63,758)	7,289	–	(56,469)
Beginning cash and cash equivalents	337,359	78,206	–	415,565
Ending cash and cash equivalents	$ 273,601	$ 85,495	$ –	$ 359,096

21. Condensed Combining Information (continued)

New York City Economic Development Corporation
Condensed Statements of Net Position
($ in Thousands)

	June 30, 2013 NYCEDC	Apple	Eliminations	Total
Assets				
Current assets	$ 589,093	$ 81,490	$ –	$ 670,583
Due from Apple	48,621	–	(48,621)	–
Noncurrent assets	280,704	97,172	–	377,876
Total assets	$ 918,418	$ 178,662	$ (48,621)	$ 1,048,459
Liabilities				
Current liabilities	$ 259,355	$ 39,431	$ –	$ 298,786
Due to EDC	–	48,621	(48,621)	–
Noncurrent liabilities	343,276	82,394	–	425,670
Total liabilities	$ 602,631	$ 170,446	$ (48,621)	$ 724,456
Net position				
Restricted	$ 85,859	$ 7,412	$ –	$ 93,271
Unrestricted	216,065	52	–	216,117
Net investment in capital assets	13,863	752	–	14,615
Total net position	$ 315,787	$ 8,216	$ –	$ 324,003

New York City Economic Development Corporation
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
($ in Thousands)

	For the Year Ended June 30, 2013 NYCEDC	Apple	Eliminations	Total
Operating revenues	$ 672,333	$ 182,952	$ –	$ 855,285
Operating expenses	740,053	116,285	4,336	860,674
Operating income (loss)	(67,720)	66,667	(4,336)	(5,389)
Non-operating revenues (expenses), net	1,811	(4,216)	4,336	1,931
Income (loss) before transfers	(65,909)	62,451	–	(3,458)
Interfund transfers	65,535	(65,535)	–	–
Change in net position	(374)	(3,084)	–	(3,458)
Net position, beginning of year	316,161	11,300	–	327,461
Net position, end of year	$ 315,787	$ 8,216	$ –	$ 324,003

21. Condensed Combining Information (continued)

New York City Economic Development Corporation
Condensed Statement of Cash Flows
($ in Thousands)

	For the Year Ended June 30, 2013			
	NYCEDC	**Apple**	**Eliminations**	**Total**
Net cash provided by (used in) operating activities	$ (18,793)	$ 86,997	$ (4,335)	$ 63,869
Capital and related financing activities	(5,951)	(4,336)	4,335	(5,952)
Investing activities	(30,148)	120	–	(30,028)
Non capital financing activities	65,535	(65,535)	–	–
Net Increase (decrease)	10,643	17,246	–	27,889
Beginning cash and cash equivalents	326,716	60,960	–	387,676
Ending cash and cash equivalents	$ 337,359	$ 78,206	$ –	$ 415,565

22. Subsequent Event

On June 5, 2014 and June 18, 2014, Apple's board of directors and members and NYCEDC's board of directors, respectively, voted to approve a merger of Apple into NYCEDC. The proposed merger was instituted in order to streamline the operations of the combined Apple and NYCEDC organization as well as increase efficiencies and reduce costs. The proposed merger has been approved by the New York State Attorney General's Charities Bureau and the New York State Supreme Court. It is anticipated that the merger will become effective on October 1, 2014, following a successful filing of the Certificate of Merger with the Secretary of State.

As of July 14, 2014, Apple employees became employees of NYCEDC. Apple's 401(a) and 403(b) plans were frozen, and the former Apple employees joined the existing NYCEDC 401 (a) and 457 plans.

Required Supplementary Information

New York City Economic Development Corporation
(A Component Unit of The City of New York)

Schedule of Funding Progress for the Retiree Health Care Plan
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6-30-2012[2]	–	$ 23,502	$ 23,502	0%	$ 35,243	66.7%
6-30-2010[1][2]	–	23,960	23,960	0%	34,542	69.4%
6-30-2008[2]	–	41,316	41,316	0%	30,645	134.8%

(1) Effective July 1, 2012, the plan was amended to include revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. These amendments significantly reduced the number of current and future employees eligible for this benefit and resulted in an overall reduction in the AAL at June 30, 2014.

(2) For the June 30, 2012 actuarial valuation, the actuarial assumptions includes a 3.5% discount rate and an annual healthcare cost trend rate of 9.5% for non-Medicare and 7.5% for Medicare, grading down to an ultimate rate of 4.5% for both. For the previous actuarial valuations, the actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0%, grading down to an ultimate rate of 5.0%.

Supplementary Information

New York City Economic Development Corporation

(A Component Unit of The City of New York)

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

		Restricted									Year Ended June 30,	
	Unrestricted	Brooklyn Army	Maritime	Other Properties	Finance Programs	Capital Programs	Public Purpose and Other	CDBG	Apple 42nd Street	Total Restricted	2014	2013
Operating revenues:												
Grants	$ 68,621,291	$ –	$ 8,401	$ –	$ –	$ 473,522,061	$ –	$ 53,085,435	$ –	$ 526,615,897	$ 595,237,188	$ 611,471,272
Property rentals	38,124,829	20,382,711	73,044,783	4,693,513	–	–	–	–	53,332,647	151,453,654	189,578,483	171,363,593
Fee income	17,564,968	55,747	71,450	7,990	–	–	17,367	–	976,621	1,129,175	18,694,143	18,480,787
Other income	4,158,209	4,179,758	4,444,273	72,927	312,971	–	3,835,386	–	6,518,871	19,364,186	23,522,395	22,721,748
Real estate sales, net	61,457,619	–	–	–	–	–	–	–	–	–	61,457,619	31,247,934
Total operating revenues	189,926,916	24,618,216	77,568,907	4,774,430	312,971	473,522,061	3,852,753	53,085,435	60,828,139	698,562,912	888,489,828	855,285,334
Operating expenses:												
Project costs	86,525,860	–	–	–	–	–	1,468,384	51,233,426	–	52,701,810	139,227,670	105,238,601
Program costs	–	–	–	–	792,272	473,022,061	–	–	–	473,814,333	473,814,333	516,597,604
Property rentals and related operating expenses	6,472,032	12,329,409	26,518,521	3,849,835	–	–	–	–	3,920,503	46,618,268	53,090,300	46,322,072
Personnel services	10,762,830	853,006	32,557,744	–	133,463	–	205,027	1,829,757	–	35,578,997	46,341,827	46,186,949
Office rent	8,091,292	–	–	–	–	–	–	–	–	–	8,091,292	8,309,369
Contract and other expenses to The City	52,967,560	–	16,718,000	4,773,423	–	–	–	–	51,413,472	72,904,895	125,872,455	124,442,487
Other general expenses	7,949,235	72,004	1,781,998	–	9,495	–	1,036,867	22,252	180,642	3,103,258	11,052,493	13,577,545
Total operating expenses	172,768,809	13,254,419	77,576,263	8,623,258	935,230	473,022,061	2,710,278	53,085,435	55,514,617	684,721,561	857,490,370	860,674,627
Operating income (loss)	17,158,107	11,363,797	(7,356)	(3,848,828)	(622,259)	500,000	1,142,475	–	5,313,522	13,841,351	30,999,458	(5,389,293)
Non-operating revenues (expenses):												
Income from investments	766,576	8	7,463	9,826	149,917	–	84,841	–	98,055	350,110	1,116,686	296,761
Grants – Superstorm Sandy	2,940,230	–	–	–	–	–	–	–	–	–	2,940,230	4,446,196
Emergency repairs and Other – Superstorm Sandy, net of insurance	(8,042,901)	–	–	–	–	–	–	–	–	–	(8,042,901)	(2,811,725)
Total non-operating revenues (expenses)	(4,336,095)	8	7,463	9,826	149,917	–	84,841	–	98,055	350,110	(3,985,985)	1,931,232
Income (loss) before transfers	12,822,012	11,363,805	107	(3,839,002)	(472,342)	500,000	1,227,316	–	5,411,577	14,191,461	27,013,473	(3,458,061)
Interfund transfers	16,775,489	(11,363,805)	(107)	–	–	–	–	–	(5,411,577)	(16,775,489)	–	–
Change in net position	29,597,501	–	–	(3,839,002)	(472,342)	500,000	1,227,316	–	–	(2,584,028)	27,013,473	(3,458,061)
Net position, beginning of year	230,732,093	500,000	7,000,000	7,664,088	55,640,914	3,012,072	19,453,993	–	–	93,271,067	324,003,160	327,461,221
Net position, end of year	$ 260,329,594	$ 500,000	$ 7,000,000	$ 3,825,086	$ 55,168,572	$ 3,512,072	$ 20,681,309	$ –	$ –	$ 90,687,039	$ 351,016,633	$ 324,003,160

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Building a better working world

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

The Management and the Board of Directors
New York City Economic Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States 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 City Economic Development Corporation ("NYCEDC"), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NYCEDC's internal control over financial reporting (internal control) to determine the 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 NYCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the NYCEDC'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 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYCEDC's financial statements are free of 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 determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on 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.

Ernst & Young LLP

September 30, 2014

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