

NYC Technology Development Corporation

(A Component Unit of The City of New York)

Financial Statements

January 1, 2013 (inception) through June 30, 2013

(With Independent Auditors' Report Thereon)

NYC TECHNOLOGY DEVELOPMENT CORPORATION
(A Component Unit of The City of New York)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
NYC Technology Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the NYC Technology Development Corporation (the "Corporation"), a component unit of The City of New York, as of June 30, 2013 and for the period January 1, 2013 (inception) to June 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation'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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation'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 Corporation'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 respective financial position of the governmental activities and the general fund of the Corporation, as of June 30, 2013, and the respective changes in financial position thereof for the period January 1, 2013 (inception) to June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 4 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte : Touche LLP

September 17, 2013

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

As of and for the period January 1, 2013 (inception) through June 30, 2013

(Unaudited)

(Amounts in thousands, except as noted)

The following is a narrative overview and analysis of the financial activities of NYC Technology Development Corporation ("TDC" or the "Corporation") as of June 30, 2013, and for the period January 1, 2013 (inception) through June 30, 2013. It should be read in conjunction with TDC's government-wide financial statements, governmental fund financial statements and the notes to the financial statements.

The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental fund financial statements; and (4) the notes to the financial statements.

The government-wide financial statements, which include the statement of net position and the statement of activities, are presented to display information about the Corporation as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of TDC's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

TDC's governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred.

As of June 30, 2013, all of TDC's assets are currently available financial resources and there are no general long-term liabilities. Therefore, there are no differences between the government-wide financial statements and the governmental fund financial statements for fiscal year 2013, and thus no reconciliations are provided.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS

TDC was incorporated for the purpose of enhancing The City of New York's ("The City") ability to effectively manage and deploy information technology ("IT") projects through (i) attracting, developing and retaining highly experienced and skilled IT professionals; (ii) successfully delivering large, critical, and cross-agency IT projects in a timely and cost-effective manner; (iii) providing a common framework, resources, best practices and diagnostics for large IT projects; and (iv) providing and supporting citywide governance over IT programs, environments and services.

Under its contract with The City, TDC provides four broad categories of "program services": (i) senior management services for three major City IT initiatives named in the contract and for other IT projects, upon the request of The City's Chief Information and Innovation Officer ("CIIO"), and, under certain circumstances, also upon the approval of a supermajority of the Board of Directors; (ii) solution architect services; (iii) multi-agency vendor management services; and (iv) portfolio management and additional IT consulting services, as directed by the CIIO.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

As of and for the period January 1, 2013 (inception) through June 30, 2013

(Unaudited)

(Amounts in thousands, except as noted)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS (continued)

TDC's contract with The City was registered on December 24, 2012, and the Corporation began operations on January 1, 2013. Pursuant to this contract, TDC receives quarterly payments that cover its projected expenses for the forthcoming quarter. In fiscal year 2013, TDC received \$1.8 million in contractual payments from The City.

This financial report is designed to provide a general overview of TDC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to the Treasurer, NYC Technology Development Corporation, 15 Metrotech Center, 19th Floor, Brooklyn, NY 11201.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Statement of Net Position

June 30, 2013

(Amounts in thousands)

	<u>2013</u>
ASSETS:	
Unrestricted cash and cash equivalents	\$ 949
Prepaid insurance	1
Security deposit	<u>65</u>
Total assets	<u>1,015</u>
LIABILITIES:	
Accrued expenses	225
Due to The City of New York	<u>291</u>
Total liabilities	<u>516</u>
NET POSITION:	
Unrestricted	<u>499</u>
TOTAL NET POSITION	<u><u>\$ 499</u></u>

See accompanying notes to financial statements.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Statement of Activities

For the Period January 1, 2013 (inception) through June 30, 2013

(Amounts in thousands)

	<u>2013</u>
REVENUE:	
Program revenue	<u>\$ 1,797</u>
Total revenue	<u>1,797</u>
EXPENSES:	
Salaries	635
Fringe benefits	62
Rent	110
Administrative	16
Professional fees	12
Management fees	50
Consulting fees	<u>413</u>
Total expenses	<u>1,298</u>
CHANGE IN NET POSITION	<u>499</u>
NET POSITION - Beginning of period	-
NET POSITION - End of period	<u>\$ 499</u>

See accompanying notes to financial statements.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Governmental Fund Balance Sheet

June 30, 2013

(Amounts in thousands)

	General Fund
ASSETS:	
Unrestricted cash and cash equivalents	\$ 949
Prepaid insurance	1
Security deposit	<u>65</u>
Total assets	<u><u>\$ 1,015</u></u>
LIABILITIES:	
Accrued expenditures	\$ 225
Due to The City of New York	<u>291</u>
Total liabilities	<u>516</u>
FUND BALANCE:	
Nonspendable	1
Unassigned	<u>498</u>
Total fund balance	<u>499</u>
Total liabilities and fund balance	<u><u>\$ 1,015</u></u>

See accompanying notes to financial statements.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Governmental Fund Statement of Revenues, Expenditures, and

Changes in Fund Balances

For the Period January 1, 2013 (inception) through June 30, 2013

(Amounts in thousands)

	General Fund
REVENUE:	
Program revenue	<u>\$ 1,797</u>
Total revenue	<u>1,797</u>
EXPENDITURES:	
Salaries	635
Fringe benefits	62
Rent	110
Administrative	16
Professional fees	12
Management fees	50
Consulting fees	<u>413</u>
Total expenditures	<u>1,298</u>
Net change in fund balance	499
FUND BALANCE - Beginning of period	<u>-</u>
FUND BALANCE - End of period	<u>\$ 499</u>

See accompanying notes to financial statements.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements

As of and for the period January (inception) through June 30, 2013

(Amounts in thousands)

(1) Organization

NYC Technology Development Corporation (“TDC” or the ‘Corporation’) is a Type C not-for-profit corporation organized under the Not-For-Profit Corporation Law of the State of New York (the “State”). TDC is governed by a Board of Directors appointed by the sole Member of the Corporation, the Mayor of the City of New York (“The City”) The Board may have up to seven members and is required to have a minimum of three members. The Mayor is authorized to appoint up to four members of his own discretion, three of whom are to be appointed by virtue of holding their City position, and one private member. The City Comptroller is authorized to recommend two members for appointment by the Mayor, one by virtue of holding his or her City position and one private member. The Speaker of the Council of The City is authorized to recommend one more private member for appointment. TDC’s By-Laws require the vote of a supermajority of all but one of the then appointed members of the Board to take certain actions. Although legally separate from The City, TDC is an instrumentality of The City and, accordingly, is included in The City’s financial statements as a blended component unit in accordance with Governmental Accounting Standards Board (“GASB”) standards.

TDC was incorporated for the purpose of enhancing The City’s ability to effectively manage and deploy information technology (“IT”) projects through (i) attracting, developing and retaining highly experienced and skilled IT professionals; (ii) successfully delivering large, critical, and cross-agency IT projects in a timely and cost-effective manner; (iii) providing a common framework, resources, best practices and diagnostics for large IT projects; and (iv) providing and supporting citywide governance over IT programs, environments and services.

Under its contract with The City TDC provides four broad categories of “program services”: (i) senior management services for three major City IT initiatives named in the contract and for other IT projects, upon the request of The City’s Chief Information and Innovation Officer (“CIIO”), and, under certain circumstances, also upon the approval of a supermajority of the Board of Directors; (ii) solution architect services; (iii) multi-agency vendor management services; and (iv) portfolio management and additional IT consulting services, as directed by the CIIO.

TDC’s contract with The City was registered on December 24, 2012, and the Corporation began operations on January 1, 2013. Pursuant to this contract, TDC receives quarterly payments that cover its projected expenses for the forthcoming quarter. In fiscal year 2013, TDC received \$1.8 million in contractual payments from The City.

TDC’s staff of information technology professionals provide the services that TDC was created to perform, but most of its legal and financial affairs are administered by employees of The City and another component unit of The City, for which TDC reimburses and pays a management and overhead fee based on its allocated share of personnel and overhead costs

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements (Continued)

As of and for the period January (inception) through June 30, 2013

(Amounts in thousands)

(2) Summary of Significant Accounting Policies

The government-wide financial statements of TDC, which include the statement of net position and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board (“GASB”) standards. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

TDC’s governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are generally considered available if expected to be received within one year after period-end. Expenditures are recognized when the related liability is incurred.

TDC uses a general fund (“GF”) to report its activities. The GF is used to account for all financial resources and activities that relates to TDC’s administrative and operating expenditures.

Fund balances of the governmental fund are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned or 5) unassigned.

The Board of Directors (the “Board”) of TDC constitutes TDC’s highest level of decision-making authority. If and when resolutions are adopted by the Board that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose unless and until a subsequent resolution altering the commitment is adopted by the Board.

If and when fund balances are constrained for use for a specific purpose based on the direction of any officer of TDC who is duly authorized to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment.

Resources that are not constrained are reported as unrestricted in the statement of net position and unassigned in the governmental fund balance sheets.

When both restricted and unrestricted resources are available for use for a specific purpose, it is TDC’s policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is TDC’s policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Investments are reported at fair value as of the reporting date.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements (Continued)

As of and for the period January (inception) through June 30, 2013

(Amounts in thousands)

(2) Summary of Significant Accounting Policies, continued

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires TDC's management to make estimates and assumptions in determining the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

As a component unit of The City, TDC implements new GASB standards in the same fiscal year as they are implemented by The City. The following are discussions of the standards requiring implementation in the current year and standards which may impact TDC in future years.

- In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements* ("GASB 60"). GASB 60 establishes the financial reporting for service concession agreements, which are a type of public-private or public-public partnership. GASB 60 is effective for financial statement periods beginning after December 15, 2011. As TDC has not entered into any service concession agreements, GASB 60 does not have an impact on TDC's financial statements.
- In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statement No. 14 and No. 34* ("GASB 61"). GASB 61 amends existing standards relating to the composition and reporting of the governmental financial reporting entity. GASB 61 is effective for financial statement periods beginning after June 15, 2012. GASB 61 does not have an impact on TDC or its status as a blended component unit of The City.
- In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements* ("GASB 62"). GASB 62 incorporates a large volume of FASB and AICPA accounting pronouncements into the GASB hierarchy of generally accepted accounting principles for US state and local governments. GASB 62 is effective for financial statement periods beginning after December 15, 2011. GASB 62 does not have an impact on TDC's financial statements.
- In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"). GASB 63 establishes new reporting requirements of two elements (deferred outflows of resources and deferred inflows of resources) and renames the Statement of Net Assets to Statement of Net Position, as well as reported Net Assets, and components thereof, to Net Position. GASB 63 is effective for financial statements for periods beginning after December 15, 2011. TDC has implemented GASB 63 in fiscal year 2013 and as a result it has named its financial statements the Statements of Net Position and components thereof.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements (Continued)

As of and for the period January (inception) through June 30, 2013

(Amounts in thousands)

(2) Summary of Significant Accounting Policies, continued

- In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”). GASB 65 establishes accounting and reporting standards that reclassify certain items that were previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and that recognizes certain items currently being reported as assets and liabilities as outflows and inflows of resources. In addition, it limits the use of the term “deferred” in the financial statement presentation. GASB 65 did not have an impact on TDC’s financial statements.
- In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012 an amendment of GASB Statements No. 10 and No. 62* (“GASB 66”). GASB 66 resolves conflicting accounting and reporting guidance that resulted from the issuance of two pronouncements, Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of GASB 66 are effective for financial statements for periods beginning after December 15, 2012. GASB 66 did not have an impact on TDC’s financial statements.
- In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”). GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers. The requirements of GASB 68 are effective for fiscal years beginning after June 15, 2014. TDC has not completed the process of evaluating GASB 68, but does not expect it to have an impact on its financial statements.

(3) Cash and Cash Equivalents

As of June 30, 2013, TDC’s cash was comprised of unrestricted bank deposits in the amounts of \$200 thousand and there was no difference between the carrying amounts and bank balances. At June 30, 2013 accounts with balances up to \$250 thousand were covered by Federal Deposit Insurance Corporation (“FDIC”) insurance.

As of June 30, 2013, TDC’s cash equivalents were comprised of Treasury Money Market Funds in the amount of \$749 thousand.
