



# **HUDSON YARDS DEVELOPMENT CORPORATION**

## **A COMPONENT UNIT OF THE CITY OF NEW YORK**

Financial Statements  
(Together with Independent Auditors' Report)

Years Ended June 30, 2016 and 2015

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**HUDSON YARDS DEVELOPMENT CORPORATION  
(A Component Unit of The City of New York)**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**YEARS ENDED JUNE 30, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors  
and the Audit Committee of the  
Hudson Yards Development Corporation

We have audited the accompanying financial statements of the governmental activities of Hudson Yards Development Corporation ("HYDC"), a component unit of The City of New York, which comprise the government-wide statements of net position as of June 30, 2016 and 2015 and the statements of activities for the years then ended, and the governmental funds balance sheets as of June 30, 2016 and 2015 and the statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 respective financial position of the governmental activities of Hudson Yards Development Corporation as of June 30, 2016 and 2015, and the respective changes in financial position thereof for the years then ended 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 9 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 audits 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.

Handwritten signature of Mark Paneth in cursive script.

New York, NY  
September 21, 2016

**HUDSON YARDS DEVELOPMENT CORPORATION**  
(A Component Unit of The City of New York)

Management's Discussion and Analysis  
As of and for the Years Ended June 30, 2016 and 2015  
(unaudited)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following is a narrative overview and analysis of the financial activities of the Hudson Yards Development Corporation ("HYDC") as of and for the years ended June 30, 2016 and 2015. It should be read in conjunction with HYDC's government-wide financial statements, governmental funds 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 funds financial statements and (4) notes to the financial statements.

The government-wide financial statements, which include the statements of net position and the statements of activities, are presented to provide information about HYDC as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of HYDC'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.

HYDC's governmental funds 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, 2016 and 2015, all of HYDC'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 its governmental funds statements of revenues, expenditures and changes in fund balances and balance sheets as of and for the years ended June 30, 2016 and 2015, and no reconciliations are provided.

**ORGANIZATIONAL OVERVIEW**

HYDC's purpose is to manage and implement the development and redevelopment activities (the "Project") on the west side of the borough of Manhattan in an area generally bounded by Seventh and Eighth Avenues on the east, West 43<sup>rd</sup> Street on the north, Twelfth Avenue on the west and West 29<sup>th</sup> and 30<sup>th</sup> Streets on the south (the "Project Area"). The Project consists of: (1) the design and construction of an extension of the No. 7 Subway from its current terminus at Seventh Avenue and West 41<sup>st</sup> Street to a new terminal at Eleventh Avenue and West 34<sup>th</sup> Street (the "No. 7 Subway Construction"); (2) acquisition from the Metropolitan Transportation Authority ("MTA") of certain transferable development rights over its rail yards between Tenth and Eleventh Avenues and between West 30<sup>th</sup> and West 33<sup>rd</sup> Streets ("Eastern Rail Yards" or "ERY"); (3) construction of certain public amenities in the Project Area, including a system of parks, public open spaces, and streets ("Public Amenities"); and (4) property acquisition for the Project.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
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**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The following summarizes HYDC's assets, liabilities and net position as of June 30, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Change 2016 vs. 2015</u>	<u>Change 2015 vs. 2014</u>
<b>Assets:</b>					
Unrestricted cash and cash equivalents	\$ 179,369	\$ 188,101	\$ 85,170	\$ (8,732)	\$ 102,931
Restricted cash and cash equivalents	124,766	-	-	124,766	-
Receivable from Hudson Yards Infrastructure Corporation	45,258	124,081	140,639	(78,823)	(16,558)
Other receivables	491	-	33,016	491	(33,016)
Prepaid expenses and other assets	583	710	2,486	(127)	(1,776)
<b>Total Assets</b>	<u>350,467</u>	<u>312,892</u>	<u>261,311</u>	<u>37,575</u>	<u>51,581</u>
<b>Liabilities:</b>					
Accounts payable - operating	11,090	35,010	11,195	(23,920)	23,815
Accounts payable - project	124,766	-	-	124,766	-
Accrued operating expenses	27,727	32,029	74,599	(4,302)	(42,570)
Accrued project expenses	45,258	118,266	138,708	(73,008)	(20,442)
<b>Total Liabilities</b>	<u>208,841</u>	<u>185,305</u>	<u>224,502</u>	<u>23,536</u>	<u>(39,197)</u>
<b>Net position:</b>					
Unrestricted	141,626	127,587	36,809	14,039	90,778
<b>Total Net Position</b>	<u>\$ 141,626</u>	<u>\$ 127,587</u>	<u>\$ 36,809</u>	<u>\$ 14,039</u>	<u>\$ 90,778</u>

Total assets increased by \$37,575 in fiscal year 2016 related to an excess of revenue received over expenses incurred. Total assets increased by \$51,581 in fiscal year 2015 related to an excess of revenue received over expenses incurred.

Total liabilities increased by \$23,536 in fiscal year 2016 primarily due to an increase in fiscal year-end Project expenses. Total liabilities decreased by \$39,197 in fiscal year 2015 due to the reduction in administrative and Project expenses payable at fiscal year-end.

The net position increased for fiscal years 2016 and 2015 by \$14,039 and \$90,778 respectively, primarily as a result of changes to the assets and liabilities noted above.

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**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)**

The following summarizes the activities of HYDC for the years ended June 30, 2016, 2015 and 2014:

**GOVERNMENT WIDE:**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Change 2016 vs. 2015</u>	<u>Change 2015 vs. 2014</u>
<b>Revenues:</b>					
Hudson Yards Infrastructure Corporation payments	\$ 1,097,007	\$ 1,342,838	\$ 2,326,571	\$ (245,831)	\$ (983,733)
Eastern Rail Yards	9,000	124,000	-	(115,000)	124,000
Interest and miscellaneous revenue	148	187	5,195	(39)	(5,008)
<b>Total revenues</b>	<u>1,106,155</u>	<u>1,467,025</u>	<u>2,331,766</u>	<u>(360,870)</u>	<u>(864,741)</u>
<b>Expenses:</b>					
General and administrative	540,518	626,918	1,622,759	(86,400)	(995,841)
Project	551,598	749,329	695,508	(197,731)	53,821
<b>Total expenses</b>	<u>1,092,116</u>	<u>1,376,247</u>	<u>2,318,267</u>	<u>(284,131)</u>	<u>(942,020)</u>
<b>Change in net position</b>	14,039	90,778	13,499	(76,739)	77,279
<b>Net position - beginning of year</b>	<u>127,587</u>	<u>36,809</u>	<u>23,310</u>	<u>90,778</u>	<u>13,499</u>
<b>Net position - end of year</b>	<u>\$ 141,626</u>	<u>\$ 127,587</u>	<u>\$ 36,809</u>	<u>\$ 14,039</u>	<u>\$ 90,778</u>

Revenue from Hudson Yards Infrastructure Corporation decreased in fiscal year 2016 by \$245,831 as a result of a decrease in general and administrative expenses and Project related expenses.

Revenue from Hudson Yards Infrastructure Corporation decreased in fiscal 2015 by \$983,733. This was primarily related to the decrease in general and administrative expenses of \$995,841 as a result of a 70% reduction in personnel costs and the elimination of rent expense. In June 2014, HYDC relocated its offices to the New York City Office of Management and Budget ("OMB") and later to the New York City Economic Development Corporation ("EDC"). Due to HYDC's reduced staff size, HYDC has not been required to pay rent to date (see Note 6).

During fiscal years 2016 and 2015, HYDC received revenues and incurred expenses of \$9,000 and \$124,000, respectively, related to the appraisals necessary for the sale of Eastern Rail Yards Transferable Development Rights ("ERYTDRs") to owners of certain properties within the Large Scale Plan Subdistrict ("Subdistrict A") of the Special Hudson Yards District.

Expenses decreased in fiscal years 2016 and 2015 by \$284,131 and \$942,020 as a result of an overall decrease in general and administrative expenses and Project expenses.

Net position increased in fiscal year 2016 and 2015 by \$14,039 and \$90,778, respectively, as a result of the revenue and expenses noted above.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
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**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)**

HYDC reports governmental activity using two funds: a general fund (“GF”) and a capital projects fund (“CPF”). The GF accounts for and reports all financial resources not accounted for in the CPF, generally HYDC’s administrative expenditures. The CPF accounts for the resources for payment of Project related expenditures.

The following summarizes the changes in the GF balances for the years ended June 30, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Change 2016 vs. 2015</u>	<u>Change 2015 vs. 2014</u>
<b>Revenues:</b>					
Hudson Yards Infrastructure Corporation payments	\$ 554,409	\$ 717,509	\$ 1,631,063	\$ (163,100)	\$ (913,554)
Interest and miscellaneous revenue	148	187	5,195	(39)	(5,008)
<b>Total revenues</b>	<u>554,557</u>	<u>717,696</u>	<u>1,636,258</u>	<u>(163,139)</u>	<u>(918,562)</u>
<b>Expenditures:</b>					
General and administrative	540,518	626,918	1,622,759	(86,400)	(995,841)
<b>Total expenditures</b>	<u>540,518</u>	<u>626,918</u>	<u>1,622,759</u>	<u>(86,400)</u>	<u>(995,841)</u>
<b>Other financing sources:</b>					
Transfer from capital projects fund	-	-	38,590	-	(38,590)
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>38,590</u>	<u>-</u>	<u>(38,590)</u>
<b>Net change in fund balance</b>	14,039	90,778	52,089	(76,739)	38,689
<b>Fund balance (deficit) - beginning of year</b>	<u>127,587</u>	<u>36,809</u>	<u>(15,280)</u>	<u>90,778</u>	<u>52,089</u>
<b>Fund balance (deficit) - end of year</b>	<u>\$ 141,626</u>	<u>\$ 127,587</u>	<u>\$ 36,809</u>	<u>\$ 14,039</u>	<u>\$ 90,778</u>

The GF revenue decreased in fiscal year 2016 and 2015 by \$163,139 and \$918,562, respectively, primarily due to a reduction in personnel and consultant costs and the elimination of rent expense. In June 2014, HYDC relocated its offices to OMB and later to EDC. Due to HYDC’s reduced staff size, HYDC has not been required to pay rent to date (see Note 6).

The GF expenses decreased in fiscal year 2016 and 2015 by \$86,400 and \$995,841, respectively, primarily due to the decrease in expenses described above.

There was a transfer of \$38,590 from the CPF in fiscal 2014.



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**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)**

The following summarizes the changes in the CPF balances for the years ended June 30, 2016, 2015 and 2014:

**CAPITAL PROJECTS FUND:**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Change 2016 vs. 2015</u>	<u>Change 2015 vs. 2014</u>
<b>Revenues:</b>					
Hudson Yards Infrastructure Corporation payments	\$ 542,598	\$ 625,329	\$ 695,508	\$ (82,731)	\$ (70,179)
Eastern Rail Yards	9,000	124,000	-	(115,000)	124,000
<b>Total revenues</b>	<u>551,598</u>	<u>749,329</u>	<u>695,508</u>	<u>(197,731)</u>	<u>53,821</u>
<b>Expenditures:</b>					
Project	551,598	749,329	695,508	(197,731)	53,821
<b>Total expenditures</b>	<u>551,598</u>	<u>749,329</u>	<u>695,508</u>	<u>(197,731)</u>	<u>53,821</u>
<b>Other financing uses:</b>					
Transfer to general fund	-	-	(38,590)	-	38,590
<b>Total other financing uses</b>	<u>-</u>	<u>-</u>	<u>(38,590)</u>	<u>-</u>	<u>38,590</u>
<b>Net change in fund balance</b>	-	-	(38,590)	-	38,590
<b>Fund balance - beginning of year</b>	<u>-</u>	<u>-</u>	<u>38,590</u>	<u>-</u>	<u>(38,590)</u>
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Total CPF revenues and expenditures both decreased in fiscal year 2016 by \$197,731. This was a result of a decrease of Project related condemnation counsel revenues and expenditures along with a decrease in revenue and expenditures related to the appraisals necessary for the sale of ERYTDRs to owners of certain properties within Subdistrict A of the Special Hudson Yards District.

Total CPF revenues and expenditures both increased in fiscal year 2015 by \$53,821 due to a \$70,179 decrease of Project related condemnation counsel revenues and expenditures, which was offset by a \$124,000 increase in revenue and expenditures related to the appraisals necessary for the sale of ERYTDRs to owners of certain properties within Subdistrict A of the Special Hudson Yards District.

There was a transfer of \$38,590 to the GF in fiscal 2014. The zero fund balance in the CPF at the end of fiscal years 2016, 2015 and 2014 indicates that the capital projects funds received have been expended.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
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**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)**

The following summarizes the GF assets, liabilities and fund balances as of June 30, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Change 2016 vs. 2015</u>	<u>Change 2015 vs. 2014</u>
<b>Assets:</b>					
Unrestricted cash and cash equivalents	\$ 179,369	\$ 188,101	\$ 85,170	\$ (8,732)	\$ 102,931
Receivable from Hudson Yards Infrastructure Corporation	-	5,815	1,931	(5,815)	3,884
Other receivables	491	-	33,016	491	(33,016)
Prepaid expenses and other assets	583	710	2,486	(127)	(1,776)
<b>Total assets</b>	<u>\$ 180,443</u>	<u>\$ 194,626</u>	<u>\$ 122,603</u>	<u>\$ (14,183)</u>	<u>\$ 72,023</u>
<b>Liabilities:</b>					
Accounts payable and accrued operating expenses	\$ 38,817	\$ 67,039	\$ 85,794	\$ (28,222)	\$ (18,755)
<b>Total liabilities</b>	<u>38,817</u>	<u>67,039</u>	<u>85,794</u>	<u>(28,222)</u>	<u>(18,755)</u>
<b>Fund balance:</b>					
Nonspendable prepaid expenses and other assets	583	710	2,486	(127)	(1,776)
Unassigned	141,043	126,877	34,323	14,166	92,554
<b>Total fund balance</b>	<u>141,626</u>	<u>127,587</u>	<u>36,809</u>	<u>14,039</u>	<u>90,778</u>
<b>Total liabilities and fund balance</b>	<u>\$ 180,443</u>	<u>\$ 194,626</u>	<u>\$ 122,603</u>	<u>\$ (14,183)</u>	<u>\$ 72,023</u>

Total GF assets decreased in fiscal year 2016 by \$14,183 due to a decrease in the receivables due from the Hudson Yards Infrastructure Corporation and a reduction of unspent cash at year-end.

Total GF assets increased in fiscal years 2015 by \$72,023 primarily due to having unspent cash at year-end needed to pay remaining fiscal year expenditures.

Total GF liabilities decreased in fiscal years 2016 and 2015 by \$28,222 and \$18,755, respectively, due to the reduction in general operating and administrative expenditures.

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**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)**

The following summarizes the CPF assets, liabilities and fund balances as of June 30, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Change 2016 vs. 2015</u>	<u>Change 2015 vs. 2014</u>
<b>Assets:</b>					
Restricted cash and cash equivalents	\$ 124,766	\$ -	\$ -	\$ 124,766	\$ -
Receivable from Hudson Yards Infrastructure Corporation	45,258	118,266	138,708	(73,008)	(20,442)
<b>Total assets</b>	<u>\$ 170,024</u>	<u>\$ 118,266</u>	<u>\$ 138,708</u>	<u>\$ 51,758</u>	<u>\$ (20,442)</u>
<b>Liabilities:</b>					
Accounts Payable and accrued project expenses	<u>\$ 170,024</u>	<u>\$ 118,266</u>	<u>\$ 138,708</u>	<u>\$ 51,758</u>	<u>\$ (20,442)</u>
<b>Total liabilities</b>	<u>170,024</u>	<u>118,266</u>	<u>138,708</u>	<u>51,758</u>	<u>(20,442)</u>
<b>Fund Balance:</b>					
Restricted	-	-	-	-	-
<b>Total fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 170,024</u>	<u>\$ 118,266</u>	<u>\$ 138,708</u>	<u>\$ (51,758)</u>	<u>\$ 20,442</u>

Total CPF assets and liabilities both increased in fiscal year 2016 by \$51,758 as a result of a decrease in Project receivables and an increase in the amount of unspent funds held at year-end.

Total CPF assets and liabilities both decreased in fiscal year 2015 by \$20,442 due to the decrease in reimbursement required to pay Project expenditures.

The CPF had no restricted funds at the end of fiscal years 2016 and 2015. HYDC only requested and received Project funds for actual Project related expenditures incurred, thereby having no fund balances at June 30, 2016 and 2015.

This financial report is designed to provide a general overview of HYDC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Hudson Yards Development Corporation, 110 William Street, Room 400, New York, NY 10038.

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**HUDSON YARDS DEVELOPMENT CORPORATION**

(A Component Unit of The City of New York)

**Statements of Net Position  
As of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Unrestricted cash and cash equivalents	\$ 179,369	\$ 188,101
Restricted cash and cash equivalents	124,766	-
Receivable from Hudson Yards Infrastructure Corporation	45,258	124,081
Other receivables	491	-
Prepaid expenses	<u>583</u>	<u>710</u>
<b>Total assets</b>	<u>\$ 350,467</u>	<u>\$ 312,892</u>
<b>Liabilities</b>		
Accounts payable - operating	\$ 11,090	\$ 35,010
Accounts payable - project	124,766	-
Accrued operating expenses	27,727	32,029
Accrued project expenses	<u>45,258</u>	<u>118,266</u>
<b>Total liabilities</b>	<u>208,841</u>	<u>185,305</u>
<b>Net position</b>		
Unrestricted	<u>141,626</u>	<u>127,587</u>
<b>Total net position</b>	<u>\$ 141,626</u>	<u>\$ 127,587</u>

See accompanying notes to the financial statements.

**HUDSON YARDS DEVELOPMENT CORPORATION**

(A Component Unit of The City of New York)

**Statements of Activities  
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Hudson Yards Infrastructure Corporation payments	\$ 1,097,007	\$ 1,342,838
Eastern Rail Yards	9,000	124,000
Interest and miscellaneous revenue	<u>148</u>	<u>187</u>
<b>Total revenues</b>	<u>1,106,155</u>	<u>1,467,025</u>
<b>Expenses</b>		
General and administrative	540,518	626,918
Project	<u>551,598</u>	<u>749,329</u>
<b>Total expenses</b>	<u>1,092,116</u>	<u>1,376,247</u>
<b>Change in net position</b>	14,039	90,778
<b>Net position - Beginning of year</b>	<u>127,587</u>	<u>36,809</u>
<b>Net position - End of year</b>	<u>\$ 141,626</u>	<u>\$ 127,587</u>

See accompanying notes to the financial statements.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
(A Component Unit of The City of New York)

**Governmental Funds Balance Sheet**  
**As of June 30, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Unrestricted cash and cash equivalents	\$ 179,369	\$ -	\$ 179,369
Restricted cash and cash equivalents	-	124,766	124,766
Receivable from Hudson Yards Infrastructure Corporation	-	45,258	45,258
Other receivables	491	-	491
Prepaid expenses	583	-	583
<b>Total assets</b>	<u>\$ 180,443</u>	<u>\$ 170,024</u>	<u>\$ 350,467</u>
<b>Liabilities</b>			
Accounts payable - operating	\$ 11,090	\$ -	\$ 11,090
Accounts payable - project	-	124,766	124,766
Accrued operating expenses	27,727	-	27,727
Accrued project expenses	-	45,258	45,258
<b>Total liabilities</b>	<u>38,817</u>	<u>170,024</u>	<u>208,841</u>
<b>Fund balance</b>			
Nonspendable prepaid expenses	583	-	583
Unassigned	141,043	-	141,043
<b>Total fund balance</b>	<u>141,626</u>	<u>-</u>	<u>141,626</u>
<b>Total liabilities and fund balance</b>	<u>\$ 180,443</u>	<u>\$ 170,024</u>	<u>\$ 350,467</u>

**HUDSON YARDS DEVELOPMENT CORPORATION**

(A Component Unit of The City of New York)

**Governmental Funds Balance Sheet**

**As of June 30, 2015**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Unrestricted cash and cash equivalents	\$ 188,101	\$ -	\$ 188,101
Receivable from Hudson Yards Infrastructure Corporation	5,815	118,266	124,081
Prepaid expenses	<u>710</u>	<u>-</u>	<u>710</u>
<b>Total assets</b>	<u>\$ 194,626</u>	<u>\$ 118,266</u>	<u>\$ 312,892</u>
<b>Liabilities</b>			
Accounts payable	\$ 35,010	\$ -	\$ 35,010
Accrued operating expenses	32,029	-	32,029
Accrued project expenses	<u>-</u>	<u>118,266</u>	<u>118,266</u>
<b>Total liabilities</b>	<u>67,039</u>	<u>118,266</u>	<u>185,305</u>
<b>Fund balance</b>			
Nonspendable prepaid expenses	710	-	710
Unassigned	<u>126,877</u>	<u>-</u>	<u>126,877</u>
<b>Total fund balance</b>	<u>127,587</u>	<u>-</u>	<u>127,587</u>
<b>Total liabilities and fund balance</b>	<u>\$ 194,626</u>	<u>\$ 118,266</u>	<u>\$ 312,892</u>

See accompanying notes to the financial statements.

**HUDSON YARDS DEVELOPMENT CORPORATION**

(A Component Unit of The City of New York)

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Hudson Yards Infrastructure Corporation payments	\$ 554,409	\$ 542,598	1,097,007
Eastern Rail Yards	-	9,000	9,000
Interest and miscellaneous revenue	<u>148</u>	<u>-</u>	<u>148</u>
<b>Total revenues</b>	<u>554,557</u>	<u>551,598</u>	<u>1,106,155</u>
<b>Expenditures</b>			
General and administrative	540,518	-	540,518
Project	<u>-</u>	<u>551,598</u>	<u>551,598</u>
<b>Total expenditures</b>	<u>540,518</u>	<u>551,598</u>	<u>1,092,116</u>
<b>Net change in fund balance</b>	14,039	-	14,039
<b>Fund balance - Beginning of year</b>	<u>127,587</u>	<u>-</u>	<u>127,587</u>
<b>Fund balance - End of year</b>	<u>\$ 141,626</u>	<u>\$ -</u>	<u>\$ 141,626</u>

See accompanying notes to the financial statements.



**HUDSON YARDS DEVELOPMENT CORPORATION**

(A Component Unit of The City of New York)

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Hudson Yards Infrastructure Corporation payments	\$ 717,509	\$ 625,329	\$ 1,342,838
Eastern Rail Yards	-	124,000	124,000
Interest and miscellaneous revenue	<u>187</u>	<u>-</u>	<u>187</u>
<b>Total revenues</b>	<u>717,696</u>	<u>749,329</u>	<u>1,467,025</u>
<b>Expenditures</b>			
General and administrative	626,918	-	626,918
Project	<u>-</u>	<u>749,329</u>	<u>749,329</u>
<b>Total expenditures</b>	<u>626,918</u>	<u>749,329</u>	<u>1,376,247</u>
<b>Net change in fund balance</b>	90,778	-	90,778
<b>Fund balance - Beginning of year</b>	<u>36,809</u>	<u>-</u>	<u>36,809</u>
<b>Fund balance - End of year</b>	<u>\$ 127,587</u>	<u>\$ -</u>	<u>\$ 127,587</u>

See accompanying notes to the financial statements.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
**(A Component Unit of The City of New York)**

**Notes to Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

**NOTE 1 – ORGANIZATION**

Hudson Yards Development Corporation (“HYDC”) is a local development corporation organized under the New York State Not-For-Profit Corporation Law. It was created by The City of New York (“The City”) to manage and implement its economic development initiative to redevelop the Project Area. Although legally separate from The City, HYDC 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.

HYDC is governed by a Board of Directors of thirteen directors, all of whom serve ex-officio by virtue of their position as an official or employee of The City. A majority of the members of the Board of Directors serve as officials or employees of The City at the pleasure of the Mayor of The City (“Mayor”).

HYDC works with various City and State agencies and authorities and with private developers on the design and construction and implementation of the various elements of the Project and to further private development and redevelopment of the Project Area.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. Measurement Focus and Basis of Accounting***

The government-wide financial statements of HYDC, which include the statements of net position and the statements of activities, are presented to provide information about the reporting entity as a whole, in accordance with GASB standards. The statements of net position and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred, regardless of the timing of cash flows.

HYDC’s governmental funds 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. Revenue is generally considered available if expected to be received within one year after period end. Expenditures are recognized when the related liability is incurred.

As there are no differences between HYDC’s government-wide financial statements and its governmental fund financial statements as of and for the years ended June 30, 2016 and 2015, no reconciliations are provided.

HYDC uses two governmental funds for reporting its activities: a general fund (“GF”) and a capital projects fund (“CPF”). The CPF accounts for the resources for payment of Project related expenses, and the GF is used to account for and report all financial resources not accounted for in the CPF, generally HYDC’s administrative expenses.

***B. Fund Balances***

Fund balances are classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned in accordance with GASB standards.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
**(A Component Unit of The City of New York)**

**Notes to Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

When both restricted and unrestricted resources are available for use for a specific purpose, HYDC will 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, HYDC will use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Resources constrained for capital projects in accordance with certain funding agreements are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

**C. *Cash Equivalents***

HYDC considers all highly liquid instruments with maturities of three months or less when acquired to be cash equivalents.

**D. *Capital Assets***

HYDC does not own any Project assets. Those assets are the property of The City. Therefore, HYDC reports no infrastructure assets or construction work in progress.

For fixed assets used in the operations of HYDC, HYDC’s policy is to capitalize the purchase or construction costs of assets having a minimum useful life of five years and having a cost of more than \$35,000. No such assets have been acquired or constructed.

**E. *Revenue Recognition***

HYDC recognizes Hudson Yards Infrastructure Corporation (“HYIC”) payments for operating expenses as revenue when received. HYIC payments for Project expenses and other grants are recognized as revenues when the related Project expenses are incurred.

**F. *Use of Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires HYDC’s management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**G. *Recent Accounting Pronouncements***

As a component unit of The City, HYDC 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 HYDC in future years.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
**(A Component Unit of The City of New York)**

**Notes to Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provision of GASB 67 and GASB 68* (“GASB 73”). GASB 73 provides guidance on assets accumulated for pension plans that are not administered through a trust and provides clarity on certain provision of GASB 67 and GASB 68. The requirements for GASB 73 are effective for fiscal years beginning after June 15, 2015. The adoption of GASB 73 did not have an impact on HYDC’s financial statements.
- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“GASB 74”). GASB 74 establishes financial reporting standards to state and local governmental other postemployment benefit (“OPEB”) plans. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016. HYDC has not completed the process of evaluating GASB 74, but does not expect it to have an impact on HYDC’s financial statements.
- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”). GASB 75 establishes accounting and financial reporting standards for OPEB that is provided to employees of state and local governmental employees. The requirements of GASB 75 are effective for fiscal years beginning after June 15, 2017. HYDC has not completed the process of evaluating GASB 75, but does not expect it to have an impact on HYDC’s financial statements.
- In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (“GASB 76”). GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction of other event is not specified within the source of authoritative GAAP. The requirements of GASB 76 are effective for fiscal years beginning after June 15, 2015. The adoption of GASB 76 did not have an impact on HYDC’s financial statements.
- In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (“GASB 77”). GASB 77 requires state and local governments for the first time to disclose information about tax abatement agreements. GASB 77 requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government’s tax revenues. The requirements of GASB 77 are effective for fiscal years beginning after December 15, 2015. The adoption of GASB 77 did not have an impact on HYDC’s financial statements as it does not enter into any such agreements.
- In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* (“GASB 78”). GASB 78 amends the scope and applicability of Statement 68 to exclude pension plans provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governments, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pension through the pension plan). The requirements of GASB 78 are effective for fiscal years beginning after December 15, 2015. The adoption of GASB 78 did not have an impact on HYDC’s financial statements.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
**(A Component Unit of The City of New York)**

**Notes to Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- In December 2015, GASB issued Statement No 79, *Certain External Investment Pools and Pool Participants* (“GASB 79”). GASB 79 will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The requirements of GASB 79 are effective for fiscal years beginning after December 15, 2015. The adoption of GASB 79 did not have an impact on HYDC’s financial statements as it has no such investments.
- In January 2016, GASB issued Statement No 80, *Blending Requirements for Certain Component Units* (“GASB 80”). GASB 80 provides clarity on how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The requirements of GASB 80 are effective for fiscal years beginning after June 15, 2016. The adoption of GASB 80 did not have an impact on HYDC’s financial statements.
- In March 2016, GASB issued Statement No 81, *Irrevocable Split Interest Agreements* (“GASB 81”). GASB 81 addresses the situations under which an irrevocable split-interest agreement constitutes an asset for accounting and financial reporting purposes when the resources are administered by a third party. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. The requirements of GASB 81 are effective for fiscal years beginning after December 15, 2016. The adoption of GASB 81 did not have an impact on HYDC’s financial statements as it does not enter in such arrangements.
- In March 2016, GASB issued Statement No 82, *Pension Issues* (“GASB 82”). GASB 82 addresses practice issues raised during the implementation of the GASB’s pension accounting and financial reporting standards for state and local governments. The requirements of GASB 82 are effective for fiscal years beginning after June 15, 2016. The adoption of GASB 82 did not have an impact on HYDC’s financial statements as it has no employees.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents that potentially subject HYDC to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The FDIC provides deposit insurance coverage of up to \$250,000 per depositor. As of June 30, 2016 and 2015, HYDC’s cash consisted of bank deposits in the amount of \$304,135 and \$188,101, respectively. Such amount includes outstanding checks. Balances in excess of \$250,000 are required to be collateralized at 105% of value, as outlined in Section 105 and Section 106 of the New York State Finance Law. As of June 30, 2016 and 2015, JPMorgan Chase Bank, N.A. maintained a total of \$57,800 and \$0, respectively, in collateral for HYDC’s three active accounts.

**HUDSON YARDS DEVELOPMENT CORPORATION  
(A Component Unit of The City of New York)**

**Notes to Financial Statements  
As of and for the Years Ended June 30, 2016 and 2015**

**NOTE 4 – DEFINED CONTRIBUTION PLAN**

HYDC's Defined Contribution Pension Plan for Employees (the "Pension Plan") is a single employer plan which was established October 12, 2006. The Pension Plan covers all HYDC employees who have completed one year of service if exempt, (employees not entitled to overtime pay), and a minimum of 1,000 hours of service if non-exempt, (employees entitled to overtime pay), or have been previous City of New York agency ("City") or New York City Economic Development Corporation ("EDC") employees and completed a minimum of 2 years of full time employment or 2,750 hours of service.

The Pension Plan consists of an amount for each eligible employee, calculated based on his or her gross compensation and length of service, according to the chart below. In the circumstances where a previous City or EDC employee is eligible, per the above paragraph, the employee's prior service for the City or EDC shall be treated as one year of HYDC service for the purposes of Plan eligibility, allocation accrual and vesting.

<b>Period of Service HYDC contribution percentage</b>	<b>Exempt: less than 1 year of service</b>	<b>Non-Exempt: less than 1,000 hours of service</b>	<b>Beginning with the 2nd year</b>	<b>Beginning with the 3rd year</b>	<b>Beginning with the 4th year</b>
	0%	0%	6%	12%	14%
<b>Vesting percentage</b>	0%	0%	0%	50%	100%

For the years ended June 30, 2016 and 2015, HYDC contributed \$22,483 and \$16,110, respectively, to the Pension Plan.

HYDC has no other post-employment benefits.

HYDC employees were eligible to participate in a deferred compensation plan in accordance with the Internal Revenue Code Section 457. HYDC established a trust or custodial account to hold plan assets for the exclusive use of the participants and their beneficiaries. Accordingly, at June 30, 2016 and 2015, plan assets and liabilities are not reflected in the accompanying financial statements.

**NOTE 5 – RETROACTIVE ASSIGNMENT TO HYDC OF RETAINER ASSIGNMENT**

In September 2008, the retainer agreement (the "Retainer Agreement") between the City of New York Law Department (the "Law Department") and Carter, Ledyard & Millburn ("CLM") to provide legal, appraisal, title search and other associated services ("Services"), was assigned to HYDC, retroactive to September 1, 2006. HYDC amended the Retainer Agreement to increase the contract amount to \$8,000,000, again in April 2011, to \$10,000,000, then again in November 2014, to \$13,000,000. The term was extended until the earlier of the completion of the Services or the performance of Services in the amount of the \$13,000,000. Pursuant to such assignment and amendment, HYDC is now responsible for payments to CLM under the Retainer Agreement. Such payments are funded by HYIC. For the years ended June 30, 2016 and 2015, condemnation counsel expenses paid to CLM amounted to \$542,598 and \$625,329, respectively, and such amounts are included in Project expenses in the accompanying financial statements.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
**(A Component Unit of The City of New York)**

**Notes to Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

**NOTE 6 – LEASE COMMITMENTS**

HYDC had entered into a lease agreement to rent office space at 225 W. 34<sup>th</sup> Street in New York City. The lease agreement was for a term of ten years and was set to expire in July 2016. In 2006, HYDC paid a lease security deposit which will be held by the building landlord for the term of the lease. The lease agreement required minimum annual rental payments plus escalation charges.

In June 2014, HYDC bought out the existing lease for office space at 225 W. 34<sup>th</sup> Street in New York City for a total of \$295,000 and relocated its offices to the New York City Office of Management and Budget (“OMB”) and later to the New York City Economic Development Corporation (“EDC”). As a blended component unit of the City, the move allowed HYDC to work closer with its City counterparts. Due to HYDC’s reduced staff size, OMB and EDC have not required HYDC to pay rent to date. Accordingly, there are no future minimum lease payments required for fiscal years after June 30, 2014. The security deposit held by the building landlord was returned to HYDC in fiscal year 2015.

For both of the fiscal years ended June 30, 2016 and 2015, there was no rent expense incurred.

**NOTE 7 – CONTINGENCIES**

HYDC is involved in several personal injury actions allegedly arising out of accidents and incidents occurring on or about the Project Area. Management believes that any liabilities arising from such claims would be covered either by indemnification protections pursuant to existing agreements between HYDC and the City, or by liability insurance/contractual indemnification of third parties, such as contractors. Accordingly, management believes the potential aggregate liability for all such claims would not have a material adverse effect on HYDC’s net position.

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