FINANCIAL STATEMENTS

Build NYC Resource Corporation
(a component unit of The City of New York)
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

Build NYC Resource Corporation
(a component unit of The City of New York)

Financial Statements

June 30, 2013 and 2012

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I. Financial Section

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Report of Independent Auditors

Management and the Board of Directors
Build NYC Resource Corporation

Report on the Financial Statements

We have audited the accompanying statements of net position of Build NYC Resource Corporation (the Corporation), a component unit of The City of New York, as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the year ended 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 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the year ended June 30, 2013 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, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated September 18, 2013 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Corporation's internal control over financial reporting and compliance.

Ernst + Young LLP

September 18, 2013

This section of the Build NYC Resource Corporation (Build NYC or the Corporation) annual financial report presents our discussion and analysis of financial performance during the period June 30, 2013 and 2012. Please read it in conjunction with the financial statements and accompanying notes, which follow this section. As more fully described in Note 1, Background and Organization, NYC Capital Resource Corporation (CRC) merged with and into Build NYC as of April 1, 2013. Accordingly, this financial report represents the Corporation's statements of net position, statement of revenue, expenses, and changes in net position, and statement of cash flow as if the merger occurred as of the beginning of the fiscal year.

Overview of the Financial Statements

This annual financial report consists of two parts: *Management's discussion and analysis* (this section) and the *basic financial statements*. Build NYC is considered a component unit of The City of New York (the City) for the City's financial reporting purposes. Build NYC is a local development corporation that was organized under the Not-For-Profit Corporation Law of the State of New York to assist entities eligible under the federal tax laws in obtaining tax-exempt bond and taxable bond financing.

Build NYC is a self-supporting entity and follows enterprise fund reporting. Enterprise fund statements offer short-term and long-term financial information about the Corporation's activities. The Corporation operates in a manner similar to a private business.

Financial Analysis of the Corporation

Net Position–The following table summarizes the Corporation's financial position at June 30, 2013 and 2012:

	June 30	
	2013	**2012**
Current assets	**$ 2,761,985**	$ 619,425
Current liabilities	**64,355**	24,971
Total unrestricted net position	**$ 2,697,630**	$ 594,454

The Corporation's net position at June 30, 2013 and 2012 was $2,697,630 and $594,454, as a result of fees generated from twenty-four and four new bond closings, respectively.

Operating Activities

Build NYC's primary goal is to facilitate access to private activity tax-exempt bond financing for eligible entities to acquire, construct, renovate, and/or equip their facilities as well as to refinance previous financing transactions.

The Corporation charges various program fees that may include application fees, financing fees, compliance fees, and public notice fees.

The following table summarizes Build NYC's net position for the fiscal year ended June 30, 2013:

Operating revenues	$ 2,795,060
Operating expenses	(275,699)
Operating income	2,519,361
Non-operating expenses	(999,528)
Transfer from CRC	583,343
Change in net position	$ 2,103,176

In fiscal year 2013, Build NYC closed on twenty-four transactions. Operating revenues consisted of project finance fees of $2,632,913, application fees of $130,000, compliance fees of $22,992, and post-closing fees of $2,500. Additionally, administrative fees of $5,654 and termination fees of $1,001 earned by CRC are included in operating revenues.

Contacting the Corporation's Financial Management

This financial report is designed to provide our customers, clients and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation'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.

Build NYC Resource Corporation
(A component unit of The City of New York)

Statements of Net Position

	June 30	
	2013	**2012**
Assets		
Current assets:		
Cash and cash equivalents *(Note 3)*	**$ 2,761,985**	$ 619,425
Total current assets	**2,761,985**	619,425
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**53,855**	17,500
Due to New York City Economic Development Corporation	**–**	3,846
Unearned revenue and other liabilities	**10,500**	3,625
Total current liabilities	**64,355**	24,971
Net position – unrestricted	**$ 2,697,630**	$ 594,454

See accompanying notes.

Build NYC Resource Corporation
(A component unit of The City of New York)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2013

Operating revenues	
Fee income *(Note 2)*	$ 2,795,060
Total operating revenues	2,795,060
Operating expenses	
Management fees *(Note 4)*	80,001
Public hearing fees	140,970
Auditing fees	51,230
Marketing fees	3,193
Other fees	305
Total operating expenses	275,699
Operating income	2,519,361
Nonoperating revenues (expenses)	
Interest income	472
HELP purchase of services agreement *(Note 7)*	(1,000,000)
Total non-operating revenues (expenses)	(999,528)
Transfer from CRC *(Note 5)*	583,343
Change in net position	2,103,176
Unrestricted net position, beginning of year	594,454
Unrestricted net position, end of year	$ 2,697,630

See accompanying notes.

Build NYC Resource Corporation
(A component unit of The City of New York)

Statement of Cash Flows

Year Ended June 30, 2013

Cash flows from operating activities	
Financing and other fees	$ 2,798,739
Management fees paid	(80,002)
Audit fees paid	(35,000)
Marketing fees paid	(7,038)
Public hearing fees paid	(138,345)
Miscellaneous expenses paid	(305)
Net cash provided by operating activities	2,538,049
Cash flows from investing activities	
Interest income	472
Net cash provided by investing activities	472
Cash flows from noncapital financing activities	
Transfer from CRC	604,039
Hurricane Emergency Loan Program	(1,000,000)
Net cash used in noncapital financing activities	(395,961)
Net increase in cash and cash equivalents	2,142,560
Cash and cash equivalents at beginning of year	619,425
Cash and cash equivalents at end of year	$ 2,761,985
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 2,519,361
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts payable and accrued expenses	18,855
Due to NYC Economic Development Corp.	(3,846)
Unearned revenue and other liabilities	3,679
Net cash provided by operating activities	$ 2,538,049

See accompanying notes.

1. Background and Organization

Build NYC Resource Corporation (Build NYC or the Corporation), a component unit of The City of New York, is a local development corporation that commenced operation on November 4, 2011. Build NYC was organized to assist entities eligible under the federal tax laws in obtaining tax-exempt bond and taxable bond financing. Build NYC's primary goal is to facilitate access to private activity tax-exempt bond financing for eligible entities to acquire, construct, renovate, and/or equip their facilities as well as refinance previous financing transactions. In order to improve operational effectiveness, New York City Capital Resource Corporation (CRC) merged with and into Build NYC as of April 1, 2013. Build NYC is the surviving company.

Bonds issued by Build NYC are special nonrecourse conduit debt obligations of the Corporation which are payable solely from the payments and revenues provided for in the loan agreement with the Beneficiary. The bonds are secured by a collateral interest in the loan agreement and other security provided by the borrower. Both the bonds and certain provisions of the loan agreement are administered by an independent bond trustee appointed by the Corporation.

Because (1) the bonds are nonrecourse conduit debt obligations of the Corporation, (2) the Corporation assigns its interest in the loan agreement as collateral, and (3) the Corporation has no substantive obligations under the loan agreement (other than to convey back the project property at the end of the bond term), the Corporation has, in effect, none of the risks and rewards of the loan agreement and related bond financing. Accordingly, with the exception of certain fees derived from the financing transaction, the financing transaction itself is given no accounting recognition in the accompanying financial statements.

The Corporation is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by the Corporation's Certificate of Incorporation and By-Laws and includes public officials and appointees of the Mayor.

2. Summary of Significant Accounting Policies

Basis of Presentation

Build NYC has been classified as an "enterprise fund" as defined by the Governmental Accounting Standards Board (GASB) and, as such, the financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. In its accounting and financial reporting, Build NYC follows the pronouncements of the GASB.

Recently Adopted Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB No. 63). This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflow of resources. Deferred outflows is defined as the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows is defined as the acquisition of net assets by the government that is applicable to a future reporting period. GASB No. 63 also amends the net asset reporting requirement by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for the periods beginning after December 15, 2011. The Corporation's adoption of GASB No. 63 in 2013 resulted in a change in the presentation of the balance sheets to what is now referred to as the statement of net position and the term "net assets" was changed to "net position" throughout the financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65). This Statement establishes accounting and financial reporting standards that reclassify, to deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Corporation's early adoption of GASB No. 65 did not have an impact the financial statements.

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In March 2012, GASB issued Statement No. 66, *Technical Corrections–2012* ("GASB No. 66"). 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 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 Corporation does not anticipate the implementation of GASB No. 66 will have an impact on its financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB No. 68"). 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 Corporation has not completed the process of evaluating the impact of GASB No. 68 on its financial statements.

Cash Equivalents

The Corporation considers all highly liquid investments purchased with original maturities of 90 days or less to be cash equivalents.

Revenue Recognition

Operating revenues consist of income from application fees, financing fees, and compliance monitoring fees. Application and financing fees are recognized as earned. Compliance monitoring fees are received annually, in advance, and deferred and amortized into income as earned. Build NYC's operating expenses include management fees and related administration expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Cash and Cash Equivalents

At year-end, Build NYC's bank balance was $2,762,290. Of the bank balance, $250,000 was covered by federal depository insurance and $2,512,290 was collateralized.

4. Management Fee

To support the activities of the Board of Directors, the Corporation annually enters into a contract with the New York City Economic Development Corporation (EDC), a not-for-profit local development corporation and a component unit of The City of New York, organized to administer government financing programs which foster business expansion in the City. Under the terms set forth in the contract, EDC provides Build NYC with all the professional, administrative and technical assistance it needs to accomplish its objectives. These services include comprehensive financial analyses, processing and presentation of projects to the Board of Directors, and project compliance monitoring. The fixed annual fee for these services under the agreement between EDC and the Corporation amounted to $1 for the period ended June 30, 2013. The fixed annual fee for services under the agreement between EDC and CRC amounted to $80,000 for fiscal year 2013. Due to the merger on April 1, 2013, Build NYC assumed CRC's management fee obligation to EDC in the prorated amount of $20,000 for the period April 1, 2013 to June 30, 2013.

5. Income Transfer From CRC

The merger of Build NYC and CRC, as described in Note 1, resulted in a beginning of period net position transfer of $583,343 from CRC consisting primarily of cash balances held.

6. Risk Management

Although it should not have liability for personal injuries as a result of its lending activities, Build NYC could be named as having such liability. Therefore Build NYC requires all project companies to purchase and maintain commercial insurance coverage for these risks and to name Build NYC as additional insured. Build NYC is also named as an additional insured on EDC's general liability policy. Build NYC has no threatened litigations, claims or assessments.

7. Hurricane Emergency Loan Program

In response to the impact of Hurricane Sandy on The City of New York's various businesses and not-for-profit entities, Build NYC's Board of Directors authorized the expenditure of $1,000,000 to EDC under a purchase of services agreement. The disbursement of these funds, which took place during fiscal year 2013, have been recorded as a nonoperating expense. EDC has used these funds as partial funding for the Hurricane Emergency Loan Program (HELP), which was established pursuant to various agreements between and among EDC, Goldman Sachs (GS), and the New York Business Development Corporation (NYBDC and Administrator). Under the terms of the agreement, HELP's Administrator will provide small business loans to entities within New York City that meet the Project Borrower Eligibility Criteria in order to assist them in addressing the aftermath of Hurricane Sandy.

II. Government Auditing Standards Section

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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*

Management and the Board of Directors
Build NYC Resource 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 Build NYC Resource Corporation (the Corporation), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues and expenses and changes in net position, and cash flows for the period then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 18, 2013

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