NYC Educational Construction Fund

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND

A COMPONENT UNIT OF THE CITY OF NEW YORK

Financial Statements
(Together with Independent Auditors' Report)

June 30, 2020 and 2019

MARKS PANETH

ACCOUNTANTS & ADVISORS

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
(A Component Unit of The City of New York)

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

JUNE 30, 2020 AND 2019

CONTENTS

	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-10
Basic Financial Statements as of and for the Years Ended June 30, 2020 and 2019:	
Government-wide Financial Statements	
Statements of Net Position	11
Statements of Activities	12
Governmental Funds Financial Statements	
Governmental Funds Balance Sheets	13-14
Reconciliations of the Governmental Funds Balance Sheets to the Statements of Net Position	15
Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances	16-17
Reconciliations of the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to the Statements of Activities	18
Notes to Financial Statements	19-39
Required Supplementary Information (Unaudited)	
Schedule of the Fund's Proportionate Share of the Net Pension Liability	40
Schedule of Employer Contributions	41
Schedule of Changes in Total OPEB Liability and Related Ratios	42

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
New York City Educational Construction Fund

We have audited the accompanying financial statements of the governmental activities of the New York City Educational Construction Fund (the "Fund"), a component unit of The City of New York, as of and for the years ended June 30, 2020 and 2019, which collectively comprise the Fund's basic financial statements as listed in the table of contents, 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Fund as of June 30, 2020 and 2019, 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 Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the schedule of the Fund's proportionate share of the net pension liability on page 40, the schedule of employer contributions on page 41 and the schedule of changes in total OPEB liability and related ratios on page 42, 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.

Marks Paneth LLP

New York, NY
September 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

The following management's discussion and analysis ("MD&A") of the financial position and performance of the New York City Educational Construction Fund (the "Fund") is for the fiscal years ended June 30, 2020 and 2019. This MD&A is intended to serve as an introduction to the Fund's basic financial statements, which have the following components: (1) government-wide financial statements; (2) governmental funds financial statements; and (3) notes to the financial statements.

The MD&A is designed to focus on current activities, resulting changes, and currently known facts with respect to the Fund's financial position. It should be read in conjunction with the accompanying basic financial statements.

The government-wide financial statements use the economic resource measurement focus and accrual basis of accounting. These statements present information about the reporting government as a whole. The following two statements make up the government-wide financial statements:

- The statements of net position present information on all of the Fund's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fund has improved or has deteriorated.

- The statements of activities present information showing how the Fund's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will only result in cash inflows or outflows in future fiscal periods.

The governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. These statements are the governmental funds - balance sheets and the governmental funds - statements of revenues, expenditures and changes in fund balances. Revenue is recognized when it becomes both measurable and available to finance expenditures in the current fiscal year.

The governmental funds financial statements also include a reconciliation between the government-wide and governmental funds statements and the notes to the financial statements, which are an integral part of the financial statements and provide more detailed information to supplement the basic financial statements.

The Fund reports governmental activity using two funds: (1) a General Fund and (2) a Debt Service Fund.

OVERVIEW OF THE ORGANIZATION

The Fund was created as a New York State (the "State") public benefit corporation by Article 10 of the Education Law of the State. The Fund was established to develop combined occupancy structures, containing school and non-school portions and is authorized to issue bonds, notes or other obligations to finance those projects. For financial reporting purposes only, the Fund is considered a component unit of The City of New York (the "City").

FINANCIAL HIGHLIGHTS

The Fund generated net operating income (revenues minus operating expenses) of $14.4 million in fiscal year 2020, compared to $13.7 million in fiscal year 2019 and $25.0 million in fiscal year 2018.

FINANCIAL HIGHLIGHTS (Continued)

In fiscal years 2020 and 2019, the Fund made distributions to the New York City Department of Education ("DOE") of $45 million and $35 million, respectively, as requested by the New York City Mayor's Office of Management and Budget and approved by the Fund's Board of Trustees. These distributions were reported as non-operating expenses on the Fund's statements of activities.

Taking into account the DOE distributions, the Fund's net position decreased by approximately $30.6 million during fiscal year 2020, following a decrease of $21.3 million during fiscal year 2019 and an increase of $25 million in fiscal year 2018. New York State Education Law, Section 462(2)(g), authorizes the Fund to make payments to the DOE for school purposes when there exists an excess of funds necessary for debt service on the outstanding bonds of the Fund.

In recent years, the Fund received one-time participation payments associated with the initial sale of condominium units at the 250 East 57th Street project. In connection with the sales from fiscal years 2020, 2019 and 2018, the Fund received participation payments of $0.8 million, $1.6 million and $18.8 million, respectively, from the developer, reported as additional rent. In March 2020, the developer finished closing sales on the residential tower's condominium units, which had begun in March 2017.

In fiscal year 2020, the Fund's rental income and tax equivalency revenues from its existing properties grew to $31.3 million from $28.0 million in fiscal year 2019 and $27.0 million in fiscal year 2018.

The Fund's general and administrative expenses were somewhat higher in fiscal year 2020 than in fiscal year 2019, largely due to an actuarial adjustment in 2019. Fiscal year 2019 expenses included a $1.4 million reduction in other postemployment benefits ("OPEB") expense after a revision by the New York City Office of the Actuary in its estimation of the Fund's net OPEB liability (see Note 9).

In October 2018, the Fund refunded its 2007A bonds at favorable pricing levels, achieving net present value savings of about $6.9 million or 14.39%. The bond refunding transaction, issuing $40 million of 2018A bonds, had strong market interest with many bidders participating. As a result of the refunding, the Fund recognized a deferred inflow of resources of $2,364,649 for the deferred gain on refunding. This amount results from the difference in the carrying value of the refunded debt and the reacquisition price. This amount is deferred and amortized into interest expense over the shorter of the life of the refunded or refunding debt. The Fund's overall interest on bonds decreased by $0.5 million in fiscal year 2020 and by $0.9 million in fiscal year 2019, due to lower interest rates from the refunding, as well as a reduction in principal outstanding.

In the statements of activities, the Fund's fiscal year 2020 investment income decreased by $1.7 million from fiscal year 2019, because of lower U.S. Treasury bill yields and decreased funds available for investment. Furthermore, the investment income in fiscal year 2019 included a one-time $0.5 million termination payment for a downsized investment agreement related to the refunding.

In September 2018, the New York City Council approved the ECF project at Khalil Gibran International Academy/80 Flatbush in Brooklyn, which will see the construction of a new Khalil Gibran High School and a new district K-5 school. The demolition of the townhouse portion was completed during the summer of 2019, and abatement/demolition of the remaining portions of the block continued through the fall and winter months. ECF anticipates issuing bonds for the construction of the project in fiscal year 2021.

The COOP Tech/ 321 East 96th Street project has been delayed by the appeals of an Article 78 lawsuit. ECF prevailed on the initial ruling, with the Court denying the petition and dismissing the action in April 2019. The appeal period continues. ECF and the developer (Avalon Bay) continue to be committed to the project.

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30:

Statements of Net Position as of June 30, ($ in Thousands):

	2020	2019	2018
ASSETS:			
Capital assets	$ 235,839	$ 243,524	$ 251,602
Other assets	75,441	100,177	126,003
Total assets	311,280	343,701	377,605
Deferred outflows of resources	239	54	163
LIABILITIES:			
Current liabilities	8,289	8,047	8,182
Long-term liabilities	214,080	219,401	231,728
Total liabilities	222,369	227,448	239,910
Deferred inflows of resources	9,915	6,521	6,728
NET POSITION:			
Net investment in capital assets	19,180	21,544	18,960
Restricted for debt service	37,018	35,053	34,162
Unrestricted	23,037	53,189	78,008
Total net position	$ 79,235	$ 109,786	$ 131,130

In fiscal year 2020, the Fund capitalized $5.4 million of site development costs, including demolition, abatement and legal expenses, associated with the 80 Flatbush project. In the governmental funds statement of revenues, expenditures and changes in fund balances, these development costs are reported as current year expenditures.

Advanced rental receipts increased by $3.8 million with more tenants having prepaid their rent and tax equivalency as of June 30, 2019, compared to the prior year. The Fund has requested that tenants pay their rent and tax equivalency by wire transfer instead of check, resulting in faster processing times.

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the revenues, expenses and changes in net position for the years ended June 30:

Statements of Activities for the Years Ended June 30, ($ in Thousands):

	2020	2019	2018
Operating Revenues:			
Rental income and tax equivalency payments	$ 31,302	$ 28,024	$ 26,968
Additional rent	834	1,603	18,760
Investment and other revenues	1,911	3,569	1,263
Total revenues	34,047	33,196	46,991
Operating Expenses:			
General and administrative expenses	9,079	8,123	10,053
Interest	10,519	11,068	11,931
Bond issuance costs	-	349	-
Total operating expenses	19,598	19,540	21,984
Operating income	14,449	13,656	25,007
Non-Operating Expenses:			
Distribution to DOE	45,000	35,000	-
Total non-operating expenses	45,000	35,000	-
Change in net position	(30,551)	(21,344)	25,007
Net position, beginning of year	109,786	131,130	106,123
Net position, end of year	$ 79,235	$ 109,786	$ 131,130

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the General Fund total assets, liabilities, deferred inflows of resources and fund balances as of June 30:

Balance Sheets - General Fund as of June 30, ($ in Thousands):

	2020	2019	2018
ASSETS:			
Cash and cash equivalents	$ 6,558	$ 7,255	$ 8,851
Investments	19,768	50,871	74,546
Additional rent receivable	-	-	1,711
Other assets	241	165	162
Total assets	26,567	58,291	85,270
LIABILITIES:			
Accrued expenses and other liabilities	158	79	34
DEFERRED INFLOWS OF RESOURCES:			
Advance rental receipts	7,923	4,114	6,541
FUND BALANCES:			
Nonspendable	241	165	150
Unassigned	18,245	53,933	78,545
Total fund balances	$ 18,486	$ 54,098	$ 78,695

In fiscal years 2020 and 2019, the General Fund balances decreased because of the previously mentioned distributions to the DOE. The governmental funds balance sheets differ from the statements of net position, for example, by excluding school property and long-term liabilities. See page 15 for the reconciliation of the governmental funds balance sheets to the statements of net position.

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the changes in the General Fund balances for the years ended June 30:

Statements of Revenues, Expenditures and Changes in Fund Balances - General Fund for the Years Ended June 30, ($ in Thousands):

	2020	2019	2018
Revenues:			
Rental income and tax equivalency payments	$ 31,302	$ 28,025	$ 26,968
Additional rent	834	1,603	18,760
Investment and other income (loss)	1,229	1,887	(27)
Total revenues	33,365	31,515	45,701
Expenditures:			
General and administrative	6,990	1,999	2,188
Distribution to DOE	45,000	35,000	-
Total expenditures	51,990	36,999	2,188
Other Financing Sources (Uses):			
Repayments on developer loan receivable	-	-	3,895
Interfund transfers	(16,987)	(19,113)	(13,227)
	(16,987)	(19,113)	(9,332)
Change in fund balances	(35,612)	(24,597)	34,181
Fund balances, beginning of year	54,098	78,695	44,514
Fund balances, end of year	$ 18,486	$ 54,098	$ 78,695

Below is a summary of the Debt Service Fund total assets and fund balances as of June 30:

Balance Sheets - Debt Service Fund as of June 30, ($ in Thousands):

	2020	2019	2018
ASSETS:			
Restricted investments	$ 40,014	$ 38,103	$ 37,405
Total assets	40,014	38,103	37,405
FUND BALANCES:			
Restricted	40,014	38,103	37,405
Total fund balances	$ 40,014	$ 38,103	$ 37,405

In fiscal year 2020 and 2019, ECF moderately increased the debt service fund balances to ensure sufficient coverage of upcoming debt service payments after the DOE distributions.

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the changes in the Debt Service Fund balances for the years ended June 30:

Statements of Revenues, Expenditures and Changes in Fund Balances - Debt Service Fund for the Years Ended June 30, ($ in Thousands):

	2020	2019	2018
Revenues:			
Investment and other income	$ 1,017	$ 1,791	$ 894
Total revenues	1,017	1,791	894
Expenditures:			
Bond principal payments	4,840	4,835	4,680
Interest expense	11,253	11,986	12,176
Bond issuance costs	-	349	-
Total expenditures	16,093	17,170	16,856
Other Financing Sources (Uses):			
Principal paid on refunding bonds	-	(48,360)	-
Refunding bond proceeds	-	40,350	-
Premium on refunding bonds	-	4,974	-
Interfund transfers	16,987	19,113	20,458
	16,987	16,077	20,458
Change in fund balances	1,911	698	4,496
Fund balances, beginning of year	38,103	37,405	32,909
Fund balances, end of year	$ 40,014	$ 38,103	$ 37,405

Other Selected Financial Information for the Years Ended June 30,

	2020	2019	2018
Ratio of revenues to:			
General and administrative expenses	3.75	4.09	4.67
General and administrative expenses, excluding depreciation and OPEB expense	20.94	21.98	30.34
Total assets	0.11	0.10	0.12
Debt related ratios:			
Debt coverage ratio	2.01	1.88	2.70

In fiscal year 2020, the ratio of revenues to general and administrative expenses (excluding depreciation and the OPEB actuarial adjustment) showed a minimal decrease, while the debt coverage ratio improved.

FINANCIAL HIGHLIGHTS (Continued)

CURRENT NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND COMPLETED PROJECTS

PS 126[1]	175 West 166th Street	Bronx
Murry Bergtraum HS[1]	411 Pearl Street	Manhattan
Early Childhood Center	577 East 139th Street	Bronx
PS 169	110 East 88th Street	Manhattan
Early Childhood Center	234 Herkimer Street	Brooklyn
PS 99 Annex	82-37 Kew Gardens Road	Queens
Norman Thomas HS[2]	111 East 33rd Street	Manhattan
PS 205	2475 and 2375 Southern Boulevard	Bronx
American Sign Language and English School (J47) Annex	225 East 23rd Street	Manhattan
Terence D. Tolbert Campus	625 West 133rd Street	Manhattan
PS 124	40 Division Street	Manhattan
Park West Campus HS	525 West 50th Street	Manhattan
PS 89/IS 289	201 Warren Street	Manhattan
PS 267	213 East 63rd Street	Manhattan
MS 114	331 East 91st Street	Manhattan
PS 59/HS of Art and Design	250 East 57th Street	Manhattan

PENDING PROJECTS/ IN PROCESS

Khalil Gibran Int. Academy + K-5 school	362 Schermerhorn/ 80 Flatbush	Brooklyn
COOP Tech	321 East 96th Street	Manhattan

ECONOMIC FACTORS AND FUTURE RESULTS

In fiscal year 2021, the Fund expects rental and tax equivalency revenues to continue to grow. The Fund expects an increase to fiscal year 2021 expenses from 2020 levels because of increasing insurance premiums.

Contact Information

This financial report is designed to provide a general overview of the New York City Educational Construction Fund's finances. Questions concerning any data provided in this report or request for additional information should be directed to Cynthia Wong, Director of Finance, New York City Educational Construction Fund, 30-30 Thomson Avenue, 6th Floor, Long Island City, New York 11101.

[1] Non-school portion is no longer Fund property.
[2] Non-school portion is no longer Fund property.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents (Notes 2C and 3)	$ 6,558,081	$ 7,254,689
Investments (Notes 2D and 3)	19,768,101	50,870,865
Restricted investments (Notes 2D, 2E and 3)	40,014,463	38,103,022
Interest receivable on investments	212,642	548,136
Interest subsidy receivable (Note 6)	235,698	236,452
Prepaid expenses and other current assets	240,656	165,573
Site evaluation and development costs (Note 2F)	8,411,348	2,998,612
Capital assets: school buildings, net of accumulated depreciation (Notes 2G and 5)	235,839,477	243,523,507
TOTAL ASSETS	311,280,466	343,700,856
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension (Notes 2L, 2N and 8)	239,280	54,492
TOTAL DEFERRED OUTFLOWS OF RESOURCES	239,280	54,492
LIABILITIES		
Accrued interest on revenue bonds (Note 6)	2,996,774	3,050,068
Accrued expenses and other liabilities (Note 2J)		
Due within one year	261,772	157,734
Other postemployment benefits liability (Notes 2M and 9)	2,049,922	2,150,915
Net pension liability (Notes 2L and 8)	400,977	110,313
Revenue bonds, net of unamortized bond discount/premium (Notes 2I and 6)		
Due within one year	5,030,000	4,840,000
Due in more than one year	211,629,293	217,139,346
TOTAL LIABILITIES	222,368,738	227,448,376
DEFERRED INFLOWS OF RESOURCES		
Advance rental and tax equivalency receipts (Notes 2K and 2N)	7,923,378	4,113,701
Deferred gain on refunding (Notes 2N and 6)	1,960,294	2,161,999
Deferred inflows - pension (Notes 2L, 2N and 8)	27,760	59,418
Deferred inflows - other postemployment benefits (Notes 2M, 2N and 9)	3,801	185,424
TOTAL DEFERRED INFLOWS OF RESOURCES	9,915,233	6,520,542
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET POSITION (Notes 2O and 7)		
Net investment in capital assets	19,180,184	21,544,161
Restricted for:		
Debt service	37,017,689	35,052,954
Unrestricted	23,037,902	53,189,315
TOTAL NET POSITION	$ 79,235,775	$ 109,786,430

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Rental income and tax equivalency payments, net of refunds (Note 2K)	$ 31,302,000	$ 28,024,704
Additional rent (Note 4)	833,504	1,603,453
Investment income	1,911,034	3,568,637
TOTAL OPERATING REVENUES	34,046,538	33,196,794
OPERATING EXPENSES:		
General and administrative expenses, including depreciation expense of $7,684,030 and $8,078,308, respectively	9,078,540	8,123,120
Interest on bonds (Note 6)	10,518,653	11,067,471
Bond issuance costs (Note 2H)	-	349,432
TOTAL OPERATING EXPENSES	19,597,193	19,540,023
OPERATING INCOME	14,449,345	13,656,771
NON-OPERATING EXPENSES:		
Distribution to New York City Department of Education (Note 13)	45,000,000	35,000,000
TOTAL NON-OPERATING EXPENSES	45,000,000	35,000,000
CHANGE IN TOTAL NET POSITION	(30,550,655)	(21,343,229)
NET POSITION - BEGINNING OF YEAR	109,786,430	131,129,659
NET POSITION - END OF YEAR	$ 79,235,775	$ 109,786,430

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2020

	General	Debt Service	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 6,558,081	$ -	$ 6,558,081
Investments	19,768,101	-	19,768,101
Restricted investments	-	40,014,463	40,014,463
Prepaid expenses and other current assets	240,656	-	240,656
TOTAL ASSETS	$ 26,566,838	$ 40,014,463	$ 66,581,301
LIABILITIES:			
Accrued expenses and other liabilities	$ 157,536	$ -	$ 157,536
TOTAL LIABILITIES	157,536	-	157,536
DEFERRED INFLOWS OF RESOURCES:			
Advance rental receipts	7,923,378	-	7,923,378
TOTAL DEFERRED INFLOWS OF RESOURCES	7,923,378	-	7,923,378
FUND BALANCES (Note 2O)**:**			
Nonspendable	240,656	-	240,656
Restricted	-	40,014,463	40,014,463
Unassigned	18,245,268	-	18,245,268
TOTAL FUND BALANCES	18,485,924	40,014,463	58,500,387
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 26,566,838	$ 40,014,463	$ 66,581,301

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2019

	General	Debt Service	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 7,254,689	$ -	$ 7,254,689
Investments	50,870,865	-	50,870,865
Restricted investments	-	38,103,022	38,103,022
Prepaid expenses and other current assets	165,573	-	165,573
TOTAL ASSETS	$ 58,291,127	$ 38,103,022	$ 96,394,149
LIABILITIES:			
Accrued expenses and other liabilities	$ 79,256	$ -	$ 79,256
TOTAL LIABILITIES	79,256	-	79,256
DEFERRED INFLOWS OF RESOURCES:			
Advance rental receipts	4,113,701	-	4,113,701
TOTAL DEFERRED INFLOWS OF RESOURCES	4,113,701	-	4,113,701
FUND BALANCES (Note 2O)**:**			
Nonspendable	165,573	-	165,573
Restricted	-	38,103,022	38,103,022
Unassigned	53,932,597	-	53,932,597
TOTAL FUND BALANCES	54,098,170	38,103,022	92,201,192
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 58,291,127	$ 38,103,022	$ 96,394,149

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
Total fund balances - governmental funds	$ 58,500,387	$ 92,201,192
Amounts reported for governmental activities in the statements of net position are different because:		
School property and related costs used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	235,839,477	243,523,507
Bond premiums/discounts are reported as other financing sources in the governmental funds financial statements. However, in the statements of net position, bond premiums/discounts are reported as a component of bonds payable and amortized over the lives of the related debt.	(3,144,293)	(3,624,346)
Assets that are not measurable or will not become available to finance expenditures in the current period are not reported in the governmental funds financial statements. These assets include:		
Interest receivable on investments	212,642	548,136
Interest subsidy receivable	235,698	236,452
Site evaluation and development costs	8,411,348	2,998,612
Long-term liabilities are not due and payable in the current period from currently available financial resources and are therefore not reported in the governmental funds financial statements. These liabilities include:		
Revenue bonds	(213,515,000)	(218,355,000)
Accrued interest on revenue bonds	(2,996,774)	(3,050,068)
Accrued vacation and sick pay	(104,236)	(78,478)
Net pension liability	(400,977)	(110,313)
Other postemployment benefits liability	(2,049,922)	(2,150,915)
Governmental funds do not report the effect of gains or losses on refunding bonds and deferred outflows/inflows related to pensions and other postemployment benefits as these amounts are deferred and amortized in the statements of activities.		
Pension	211,520	(4,926)
Other postemployment benefits	(3,801)	(185,424)
Gain on refunding	(1,960,294)	(2,161,999)
Net position of governmental activities	$ 79,235,775	$ 109,786,430

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	General	Debt Service	Total Governmental Funds
REVENUES:			
Rental income and tax equivalency payments, net of refunds	$ 31,302,000	$ -	$ 31,302,000
Additional rent	833,504	-	833,504
Investment income	1,228,933	1,017,595	2,246,528
TOTAL REVENUES	33,364,437	1,017,595	34,382,032
EXPENDITURES:			
General and administrative	6,989,886	-	6,989,886
Bond principal payments	-	4,840,000	4,840,000
Interest expense	-	11,252,951	11,252,951
Distribution to the New York City Department of Education	45,000,000	-	45,000,000
TOTAL EXPENDITURES	51,989,886	16,092,951	68,082,837
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,625,449)	(15,075,356)	(33,700,805)
OTHER FINANCING SOURCES (USES):			
Interfund transfers	(16,986,797)	16,986,797	-
TOTAL OTHER FINANCING SOURCES (USES)	(16,986,797)	16,986,797	-
NET CHANGE IN FUND BALANCES	(35,612,246)	1,911,441	(33,700,805)
FUND BALANCES - BEGINNING OF YEAR	54,098,170	38,103,022	92,201,192
FUND BALANCES - END OF YEAR	$ 18,485,924	$ 40,014,463	$ 58,500,387

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General	Debt Service	Total Governmental Funds
REVENUES:			
Rental income and tax equivalency payments, net of refunds	$ 28,024,704	$ -	$ 28,024,704
Additional rent	1,603,453	-	1,603,453
Investment income	1,886,659	1,791,628	3,678,287
TOTAL REVENUES	31,514,816	1,791,628	33,306,444
EXPENDITURES:			
General and administrative	1,999,158	-	1,999,158
Bond principal payments	-	4,835,000	4,835,000
Interest expense	-	11,986,100	11,986,100
Bond issuance costs	-	349,432	349,432
Distribution to the New York City Department of Education	35,000,000	-	35,000,000
TOTAL EXPENDITURES	36,999,158	17,170,532	54,169,690
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,484,342)	(15,378,904)	(20,863,246)
OTHER FINANCING SOURCES (USES):			
Principal paid on refunding bonds	-	(48,360,000)	(48,360,000)
Refunding bond proceeds	-	40,350,000	40,350,000
Premium on refunding bonds	-	4,974,367	4,974,367
Interfund transfers	(19,112,794)	19,112,794	-
TOTAL OTHER FINANCING SOURCES (USES)	(19,112,794)	16,077,161	(3,035,633)
NET CHANGE IN FUND BALANCES	(24,597,136)	698,257	(23,898,879)
FUND BALANCES - BEGINNING OF YEAR	78,695,306	37,404,765	116,100,071
FUND BALANCES - END OF YEAR	$ 54,098,170	$ 38,103,022	$ 92,201,192

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Net changes in fund balances - governmental funds	$ (33,700,805)	$ (23,898,879)
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Site evaluation and development costs	5,412,736	569,796
Depreciation expense	(7,684,030)	(8,078,308)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and and amortized in the statements of activities (except the effects of debt issuance costs). This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from the issuance of bonds	-	(40,350,000)
Premium on refunding bonds	-	(4,974,367)
Principal paid on refunding bonds	-	48,360,000
Principal payments of bonds	4,840,000	4,835,000
Bond premium/discount	480,053	528,734
Gain on refunding	201,705	202,650
Investment and interest income	(335,494)	(109,650)
Some net expenses reported in the statements of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Interest	52,540	187,245
Pension	(74,218)	(12,145)
Other postemployment benefits	282,616	1,516,142
Other	(25,758)	(119,447)
Change in net position of governmental activities	$ (30,550,655)	$ (21,343,229)

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The New York City Educational Construction Fund (the "Fund") was created in 1967 as a New York State (the "State") public benefit corporation by Article 10 of the Education Law of the State. The Fund was established to develop combined occupancy structures, containing school and non-school portions and is authorized to issue bonds, notes or other obligations to finance those projects. Although legally separate from the City, the Fund is a component unit of The City of New York (the "City") and is included in the City's financial statements as a blended component unit in accordance with Governmental Accounting Standards Board ("GASB") standards.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

The government-wide financial statements of the Fund, which include the statements of net position and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with 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.

The Fund'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 year. Revenues are generally considered available if expected to be received within 60 days after the fiscal year-end. Expenditures are recognized when the related liability is incurred, except for principal and interest on long-term debt and estimated arbitrage rebate liability, which are recognized when due.

The reconciliations of the governmental funds balance sheets to the statements of net position and the reconciliations of the governmental funds statements of revenues, expenditures and changes in the fund balances to the statements of activities are presented to assist the reader in understanding the differences between the government-wide and governmental funds financial statements.

B. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include depreciable lives of school buildings, other postemployment healthcare benefit ("OPEB") obligations and contingencies. Actual results could differ from those estimates.

C. *Cash and Cash Equivalents*

Cash and cash equivalents consist of money market funds as well as highly liquid debt investments with a maturity of three months or less from date of purchase. Cash equivalents are normally held to maturity and are carried at cost plus accrued interest. The Fund's policy is to invest idle cash balances (see Note 3 for details).

D. *Investments*

Investments are generally limited to: obligations of government sponsored agencies, U.S. Treasury obligations or repurchase agreements collateralized by U.S. Treasury obligations or other government or government sponsored agencies in accordance with the terms of the Fund's Revenue Bond Resolution and the Fund's Policy on Investments. Short-term investments are reported at cost plus accrued interest, which approximates fair value due to the short maturities of these instruments. Long-term investments are reported at fair value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ***Restricted Assets***

Restricted assets represent cash and investments maintained in accordance with bond resolutions for the purpose of funding certain debt service payments and construction spending.

F. ***Site Evaluation and Development Costs***

The Fund capitalizes site evaluation and development costs. When the Fund determines that a project is not feasible, all related costs are charged to operations. When the Fund commences construction, all related costs are added to the cost of construction.

G. ***School Property and Related Costs***

Buildings are carried at depreciated cost. Depreciation expense is calculated using the straight-line method based upon the estimated useful lives of the buildings, which are between 45 and 75 years.

Maintenance and repairs of school property are charged to expense in the period incurred.

H. ***Bond Issuance Costs***

Bond issuance costs are recognized as costs in the period incurred.

I. ***Unamortized Bond Premium/Discount***

Bond premiums and discounts are being amortized over the life of the bonds using the effective-interest method.

J. ***Compensated Absences***

Compensated absences for the Fund represent both vacation and sick pay earned by employees. Compensated absences are based on an employee's length of employment and are earned ratably during the span of employment. Upon termination, employees are paid for up to four years of accrued vacation depending upon their length of service and are paid for half of their accrued sick leave up to a maximum of 200 days. Accordingly, the maximum sick leave payment at termination is for 100 days.

Amounts of accumulated compensated absences that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the governmental fund financial statements and government-wide financial statements.

K. ***Rental and Tax Equivalency Payments***

Rental income and tax equivalency payments are recognized as earned in accordance with the contractual terms of the lease to which they relate. Advance rental receipts consist of advance rental and tax equivalency payments for the non-school portion of the projects. Such amounts are reported as deferred inflows of resources in the statements of net position and in the governmental funds balance sheets.

L. ***Net Pension Liability***

The net pension liability represents the Fund's proportionate share of the net pension liability of the New York State and Local Employees' Retirement System ("ERS"). Measurement of the total net pension liability, on which the net pension liability is based, requires the use of assumptions made by ERS about numerous future events that affect the benefit payments that will be made to employees in retirement. Pension liability, expense, deferred outflows of resources and deferred inflows of resources are recognized by the Fund for its proportionate share of the collective amounts within the ERS plan, measured based on an allocation methodology (see Note 8).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. ***Other Postemployment Benefits***

The Fund provides health insurance coverage for retired employees and their spouses and eligible dependents. All of the Fund's employees become eligible for these benefits when they reach normal retirement age while working for the Fund. Health care benefits are provided through an insurance company. See Note 9 for additional information on OPEB.

N. ***Deferred Outflows and Inflows of Resources***

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of net position and governmental funds – balances sheets report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of June 30, 2020 and 2019, the Fund reported deferred inflows of resources of $1,960,294 and $2,161,999, respectively, for a deferred gain on refunding bonds in the statement of net position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt (see Note 6).

As of June 30, 2020 and 2019, the Fund has also reported deferred inflows of resources of $7,923,378 and $4,113,701, respectively, for advance rental and tax equivalency payments for the non-school portion of the projects. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

The Fund has also reported deferred outflows of resources and deferred inflows of resources in relation to its pension and OPEB obligations. These amounts are detailed in the discussion of the pension OPEB benefit plans in Notes 8 and 9.

O. ***Net Position/Fund Balances***

The Fund's net position is reported in the statements of net position in the following categories:

- Net investment in capital assets
- Restricted for:
  - Capital projects
  - Debt service
- Unrestricted

Net investment in capital assets includes capital assets net of accumulated depreciation and liabilities for related revenue bonds.

Restricted net position includes net position restricted for capital projects and debt service. Capital project funds can only be used for specific capital purposes.

Unrestricted net position includes all net position not classified as either net investment in capital assets or restricted net position.

The Fund uses governmental funds for reporting its activities. The following accounts and funds have been established in accordance with the Fund's Revenue Bond Resolution:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund: The General Fund is the principal operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund consists mainly of two accounts for each debt issuance (Series 2007A, 2010A and 2011A). Amounts on deposit in the Debt Service Account are used for the payment of debt service on the Fund's bonds. The Debt Service Reserve Fund is required to maintain a balance equal to the maximum annual debt service on the bonds.

As of June 30, 2020 and 2019, the balances in the debt service reserve accounts totaled $19,608,613 and $19,577,157, respectively, to meet the required minimum.

The Debt Service Fund is funded by specific proceeds from the Revenue Bonds, Series 2010A, 2011A and 2018A. There is one account for each bond established in the Debt Service Reserve Fund. All revenues are deposited in the operating account. Revenues are required to be disbursed in accordance with the priority set forth in the Series Bond Resolutions.

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

The Fund reported the fund balances in its governmental funds balance sheets in the following categories: nonspendable, restricted and unassigned.

Nonspendable includes amounts that cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. This includes fund balances related to prepaid expenses.

Restricted includes amounts that can be spent only for a specific purpose stipulated by a bond resolution. Restricted balances are restricted for capital spending and debt service.

Unassigned includes the residual classification of the general fund and includes all spendable amounts not contained in other classifications.

The Board of Trustees (the "Board") of the Fund constitutes the Fund'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 the Fund who is duly authorized to direct the movement of such funds, such fund balances 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 statements of net position and unassigned in the governmental funds balance sheets.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. ***Recent Accounting Pronouncements***

As a component unit of the City, the Fund 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 the Fund in the future years.

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, ("GASB 84"). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. The adoption of GASB 84 did not have an impact on the Fund's financial statements.

- In June 2017, GASB issued Statement No. 87, *Leases*, ("GASB 87"). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

  The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. However, with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* ("GASB 95") in May 2020, the effective date of GASB 87 was postponed to reporting periods beginning after June 15, 2021. The Fund has not completed the process of evaluating the impact of GASB 87 on its financial statements.

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* ("GASB 89"). The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for certain interest costs by requiring interest costs incurred before the end of a construction period to be recognized as an expense/expenditure in governmental fund and government-wide financial statements. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2019. However, with the issuance of GASB 95 in May 2020, the effective date of GASB 89 was postponed to reporting periods beginning after December 15, 2020. The Fund has not completed the process of evaluating GASB 89's impact on its financial statements.

- In September 2018, GASB issued Statement No. 90, *Majority Equity Interests*, ("GASB 90"). GASB 90 clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2018. However, with the issuance of GASB 95 in May 2020, the effective date of GASB 89 was postponed to reporting periods beginning after December 15, 2019. The Fund has not completed the process of evaluating GASB 90 but does not expect it to have an impact on the Fund's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In May 2019, GASB Issued Statement No. 91, Conduit Debt Obligations ("GASB 91"). GASB 91 is effective for reporting periods beginning after December 15, 2020. However, with the issuance of GASB 95 in May 2020, the effective date of GASB 91 was postponed to reporting periods beginning after December 15, 2021. Conduit debt obligations are debt instruments issued by state and local governments to provide financing for a third party, which is primarily liable for repaying the debt instrument. GASB 91 updates Interpretation No. 2, "Disclosure of Conduit Debt Obligations," which allowed for variations with the option for government issuers to either recognize conduit debt obligations as their own debt or to disclose them. GASB 91 addresses variation in practice by clarifying exactly what a conduit debt obligation is and eliminating the option for government issuers to recognize conduit debt obligations, thereby providing a single method of reporting. GASB 91 is not expected to have an impact on the Fund's financial statements.

- GASB Statement No. 92, *Omnibus 2020*, ("GASB 92") is generally effective for reporting periods beginning after June 15, 2020. However, with the issuance of GASB 95 in May 2020, the effective date of GASB 92 was postponed to reporting periods beginning after June 15, 2021. The objective of GASB 92 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Fund has not completed the process of evaluating GASB 92's impact on its financial statements.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates,* ("GASB 93") was issued in March 2020. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate ("IBOR") – most notably, the London Interbank Offered Rate ("LIBOR"). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. However, with the issuance of GASB 95 in May 2020, the effective date of GASB 93 was postponed for one year. The Fund has not completed the process of evaluating GASB 93's impact on its financial statements.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* ("GASB 94") is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement ("SCA"), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The Fund has not completed the process of evaluating GASB 94's impact on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* was issued in May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* ("GASB 96") was issued in June 2020 and is effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology ("IT") software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The Fund has not completed the process of evaluating GASB 96's impact on its financial statements.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32,* ("GASB 97"), was issued in June 2020 and is effective for fiscal years beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code ("IRC") Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB 97 is not expected to have an impact on the Fund's financial statements.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Fund invests monies held in any funds or accounts not required for immediate use or disbursement. Such funds are invested in obligations of the State or the United States government or obligations the principal of and interest on which are guaranteed by the City, the State or the United States government or obligations of agencies or instrumentalities of the United States government which may from time to time be legally purchased by savings banks of the State as investments of funds belonging to them or in their control.

The Fund maintains cash balances at several banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2020 and 2019, uninsured bank balances of approximately $2,600,000 and $3,100,000, respectively, were collateralized with securities held by several banks in the Fund's name.

The Fund's total cash, cash equivalents and investments at June 30, 2020 and 2019 were $66,340,645 ($26,326,182 unrestricted and $40,014,463 restricted) and $96,228,576 ($58,125,554 unrestricted and $38,103,022 restricted), respectively. Investments consisted primarily of U.S. treasury bills and notes and U.S. government agency securities.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash, cash equivalents and investments were as follows as of June 30:

	2020	2019
Insured	$ 118,808	$ 100,797
Collateralized:		
Bank of NY Investment Surplus	19,768,101	50,870,865
Chase Investment Administrative	2,186,779	2,283,180
Bank of NY - Cash Surplus	3,688,853	1,541
Bank of NY - Operating Account	-	3,899,049
Bank of NY Debt Service 2010A	5,383,283	4,941,098
Bank of NY Debt Service Reserve 2010A	3,901,995	3,759,145
Bank of NY Debt Service 2011A	10,877,272	10,539,314
Bank of NY Debt Service Reserve 2011A	10,089,516	10,201,219
Bank of NY Debt Service 2018A	4,145,295	3,045,453.00
Bank of NY Debt Service Reserve 2018A	5,617,102	5,616,793.00
Chase Investment 96th Street	563,641	970,122
Total Deposits	$ 66,340,645	$ 96,228,576

Custodial Credit Risk – Deposits/Investments. Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government entity may be unable to recover deposits or recover collateral securities that are in possession of an outside agency. All deposits/investments are registered and are held by the Fund's agent in the Fund's name.

Credit Risk. New York State Education Law authorizes the Fund to invest in obligations of the U.S. Treasury and federal agencies along with municipal obligations, commercial or finance company paper, repurchase obligations, securities bearing interest or sold at a discount that are issued by domestic corporations, and units of taxable money market funds rated in the highest rating category by Standard & Poor's and Moody's, and investment agreements or guaranteed investment contracts with a financial institution, corporation, registered broker/dealer or domestic commercial bank whose senior long-term debt obligations are rated in one of the two highest long-term rating categories by at least two rating services.

Concentration of Credit Risk. The Fund places no limit on the amount invested in any one issuer. As of June 30, 2020 and 2019, all investments were in obligations of the U.S. Treasury and federal agencies.

Interest Rate Risk. The Fund manages its exposure to declines in fair values of its investment portfolio due to increases in interest rates by limiting the weighted average maturity of its non-restricted investments to less than one year. As of June 30, 2020 and 2019, all non-restricted investment maturities were less than one year, except for a U.S. Treasury note held at June 30, 2020 and 2019 which matures in March 2021.

Information about the carrying values and fair values of restricted investments by type of investment as of June 30, 2020 and 2019 was as follows:

	June 30, 2020		June 30, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
U.S. Government securities	$ 36,769,029	$ 37,104,279	$ 37,206,151	$ 37,471,755
U.S. Government agency obligations	894,198	915,990	894,198	915,990
Cash	2,351,236	2,351,235	2,673	2,673
Total restricted investments	$ 40,014,463	$ 40,371,504	$ 38,103,022	$ 38,390,418

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Fund categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Fund had the following recurring fair value measurements as of June 30, 2020 and 2019:

- U.S. Treasury notes of approximately $10.2 million and $10.1 million, respectively, were valued using quoted market prices (Level 1 inputs).

NOTE 4 – ADDITIONAL RENT

Under the terms of the lease for the non-school portion of its 57th Street project, the Fund received a percentage of the gross sales price, above a threshold price per square foot, for any units sold by the developer, sponsor or tenant to third parties in arm's-length transfers. The Fund's income from those sales was $833,504 and $1,603,453 for the years ended June 30, 2020 and 2019, respectively, and is reported as additional rent in the accompanying financial statements.

NOTE 5 – SCHOOL BUILDINGS

The City conveyed land to the Fund at no cost for the development of seventeen schools. The land for fourteen schools is being used for combined schools and housing units and the land for two schools is being used for combined schools and commercial buildings. One building was sold in 2012. All of the schools are completed, in use, and classified as school buildings. Of the seventeen schools, seven were financed by the 1972 Series A Revenue Bonds, which have been defeased; eight were financed by the 1989 Series A Revenue Bonds, which were refunded with the 1994 Series Revenue Bonds (1994 Bonds); one was financed by the 2007A Series Revenue Bonds, which were refunded with the 2018A Series Bonds; and one was financed by the 2010A and 2011A Series Revenue Bonds. The 2005A Series Bonds, which have been defeased, were used to refinance the 1994 and 1996 Series Revenue Bonds.

The school's portion of these locations has been leased by the Fund to the City for a period of 30 or 40 years. The leases expire on various dates between 2017 and 2052. In the event that the Fund's revenues from the non-school portion of the properties are not sufficient to pay the debt service requirements of the bonds, then the school leases provide for payments from the City sufficient to support payment of an allocable portion of the debt service requirements of the bonds. The Fund has derived sufficient revenue from the non-school portion, combined with investment income, to meet the debt service requirements of the bonds. Accordingly, the City has not been required to make payments under the school leases.

The Fund has agreed to re-convey to the City, the land and improvements relating to assets classified as school property financed by the bonds without consideration at various dates pursuant to the lease agreements with the City.

NOTE 5 – SCHOOL BUILDINGS (Continued)

A summary of the changes in school buildings is as follows for the years ended June 30:

	June 30, 2019	Additions	June 30, 2020
School buildings, at cost	$ 400,732,577	$ -	$ 400,732,577
Less: accumulated depreciation	157,209,070	7,684,030	164,893,100
School buildings, net	$ 243,523,507	$ (7,684,030)	$ 235,839,477

	June 30, 2018	Additions	June 30, 2019
School buildings, at cost	$ 400,732,577	$ -	$ 400,732,577
Less: accumulated depreciation	149,130,762	8,078,308	157,209,070
School buildings, net	$ 251,601,815	$ (8,078,308)	$ 243,523,507

Depreciation expense for the years ended June 30, 2020 and 2019 was $7,684,030 and $8,078,308, respectively.

NOTE 6 – REVENUE BONDS

On January 18, 2007, the Fund issued the 2007A Bond ("2007A Bonds") series in the amount of $51,340,000 to finance the construction of MS 114 located at 1765 1st Avenue, New York, New York. The 2007A Bonds were issued pursuant to the New York City Educational Construction Fund Act, which is Article 10 of the New York State Education Law, as amended (the "Act") and pursuant to the Fund's Revenue Bond Resolution adopted by the Fund on December 20, 2004 (the "Resolution"),and to the Fund's Revenue Bond resolution adopted by the Fund on December 8, 2006, for the purposes of (i) financing the costs of constructing the school portion of a combined occupancy structure; (ii) funding the Debt Service Reserve Fund; and (iii) paying the Costs of Issuance of the 2007A Bonds, all as described herein.

On April 28, 2010, the Fund issued the 2010A Bond ("2010A Bonds") series in the amount of $53,810,000 to finance phase 1 of the construction of PS 59/HS of Art and Design located at 250 East 57th Street, New York, New York. The 2010A Bonds were issued pursuant to the Act and the Resolution, and to the Fund's Revenue Bond resolution adopted by the Fund on February 26, 2010, for the purpose of (i) financing the costs of constructing the school portion of a combined occupancy structure; (ii) funding the Debt Service Reserve Fund; and (iii) paying the Costs of Issuance of the 2010A Bonds, all as described herein.

The 2010A Bonds were issued as "Build America Bonds" and the Fund elected to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the bonds. The payments from the United States Treasury were reduced by budget sequestration cuts ranging from 5.9% to 8.7% from 2013 through 2020. For 2021, the sequestration rate reduction will be 5.7%.

On January 25, 2011, the Fund issued the 2011A Bond ("2011A Bonds") series in the amount of $137,525,000 to finance phase 2 of the construction of 250 East 57th Street. The 2011A Bonds were issued pursuant to the Act and the Resolution, and to the Fund's Revenue Bond resolution adopted by the Fund on December 23, 2010 for the purpose of; (i) financing the costs of constructing the school portion of a combined occupancy structure; (ii) funding the Debt Service Reserve Fund; and (iii) paying the costs of issuance of the 2011A Bonds, all as described herein.

On October 25, 2018, the Fund issued the Revenue Bonds 2018, Series A ("2018A Bonds") in the amount of $40,350,000, the proceeds of which were used to refund the 2007A Bonds, originally issued in the aggregate principal amount of $51,340,000. The 2018A Bonds bear interest from 4.00% to 5.00% with annual maturities from April 1, 2019 through April 2037. This refunding was undertaken to reduce total debt service payments over the next nineteen (19) years by $10,421,217 and resulted in an economic gain (difference between the present value of the debt service on the 2007A Bonds and the 2018A Bonds) of $6,961,584.

NOTE 6 – REVENUE BONDS (Continued)

During fiscal year 2019, as a result of the refunding, the Fund recognized a deferred inflow of resources of $2,364,649 for the deferred gain on refunding. This amount results from the difference in the carrying value of the refunded debt and the reacquisition price. This amount is deferred and amortized into interest expense over the shorter of the life of the refunded or refunding debt. As of June 30, 2020 and 2019, the deferred gain on refunding, net of accumulated amortization, amounted to $1,960,294 and $2,161,999, respectively.

The Fund's Bond indentures include provisions that in the event of a payment default, or of any other of the covenants, conditions, agreements or provisions contained in the bond resolutions, the trustee may, upon the written request of the bondholders of not less than 25% in principal amount of the outstanding bonds, shall, by a notice in writing to the Fund, declare the principal of and interest on all of the outstanding bonds to be due and payable. At the expiration of 30 days after such notice is given, such principal and interest shall become and be immediately due and payable.

The following is a summary of changes in bonds payable for the year ended June 30, 2020:

	June 30, 2019	Additions	Deletions	June 30, 2020
Revenue Bonds 2010A issued April 28, 2010 (4.5% to 6.2%) maturity dates 2017 to 2040. Payments due April and October.	$ 49,370,000	$ -	$ 1,575,000	$ 47,795,000
Revenue Bonds 2011A issued January 25, 2011 (3.25% to 6.5%) maturity dates 2017 to 2041. Payments due April and October.	129,005,000	-	3,060,000	125,945,000
Revenue Bonds 2018A issued October 25, 2018 (4.00% to 5.00%) maturity dates 2019 to 2037. Payments due April and October.	39,980,000	-	205,000	39,775,000
	218,355,000	-	4,840,000	213,515,000
Less/add: unamortized bond (discount) premium	3,624,346	-	480,053	3,144,293
	221,979,346	-	5,320,053	216,659,293
Less: current portion	(4,840,000)	-	190,000	(5,030,000)
Long-term portion	$ 217,139,346	$ -	$ 5,510,053	$ 211,629,293

NOTE 6 – REVENUE BONDS (Continued)

The following is a summary of changes in bonds payable for the year ended June 30, 2019:

	June 30, 2018	Additions	Deletions	June 30, 2019
Revenue Bonds 2007A issued January 18, 2007 (3.75% to 5%) maturity dates 2009 to 2037. Payments due April and October.	$ 48,360,000	$ -	$ 48,360,000	$ -
Revenue Bonds 2010A issued April 28, 2010 (4.5% to 6.2%) maturity dates 2017 to 2040. Payments due April and October.	50,895,000	-	1,525,000	49,370,000
Revenue Bonds 2011A issued January 25, 2011 (3.25% to 6.5%) maturity dates 2017 to 2041. Payments due April and October.	131,945,000	-	2,940,000	129,005,000
Revenue Bonds 2018A issued October 25, 2018 (4.00% to 5.00%) maturity dates 2019 to 2037. Payments due April and October.	-	40,350,000	370,000	39,980,000
	231,200,000	40,350,000	53,195,000	218,355,000
Less/add: unamortized bond (discount) premium	1,442,143	4,974,367	2,792,164	3,624,346
	232,642,143	45,324,367	55,987,164	221,979,346
Less: current portion	(4,845,000)	-	(5,000)	(4,840,000)
Long-term portion	$ 227,797,143	$ 45,324,367	$ 55,982,164	$ 217,139,346

As of June 30, 2020 and 2019 the Fund recorded accrued interest on revenue bonds of $2,996,774 and $3,050,068 representing interest for the periods from April 1 to June 30, 2020 and 2019 due to be paid in October 2020 and 2019, respectively.

Debt service requirements on bond indebtedness at June 30, 2020 were as follows:

	2010A Bonds			2011A Bonds		
Fiscal Years	Principal	Interest	Total	Principal	Interest	Total
2021	$ 1,630,000	$ 2,802,178	$ 4,432,178	$ 3,185,000	$ 7,352,169	$ 10,537,169
2022	1,685,000	2,719,048	4,404,048	3,325,000	7,212,825	10,537,825
2023	1,745,000	2,633,955	4,378,955	3,540,000	6,996,700	10,536,700
2024	1,805,000	2,544,960	4,349,960	3,770,000	6,766,600	10,536,600
2025	1,875,000	2,450,198	4,325,198	3,960,000	6,578,100	10,538,100
2026-2030	10,540,000	10,596,278	21,136,278	23,980,000	28,715,738	52,695,738
2031-2035	12,845,000	7,230,700	20,075,700	31,955,000	20,733,925	52,688,925
2036-2040	15,670,000	2,992,120	18,662,120	42,265,000	10,427,050	52,692,050
2041	-	-	-	9,965,000	572,988	10,537,988
	$ 47,795,000	$ 33,969,437	$ 81,764,437	$ 125,945,000	$ 95,356,095	$ 221,301,095

NOTE 6 – REVENUE BONDS (Continued)

	2018A Bonds			Total		
Fiscal Years	Principal	Interest	Total	Principal	Interest	Total
2021	$ 215,000	$ 1,832,750	$ 2,047,750	$ 5,030,000	$ 11,987,097	$ 17,017,097
2022	220,000	1,824,150	2,044,150	5,230,000	11,756,023	16,986,023
2023	1,925,000	1,815,350	3,740,350	7,210,000	11,446,005	18,656,005
2024	2,000,000	1,738,350	3,738,350	7,575,000	11,049,910	18,624,910
2025	2,075,000	1,658,350	3,733,350	7,910,000	10,686,648	18,596,648
2026-2030	11,695,000	6,977,950	18,672,950	46,215,000	46,289,966	92,504,966
2031-2035	14,695,000	4,013,000	18,708,000	59,495,000	31,977,625	91,472,625
2036-2040	6,950,000	525,250	7,475,250	64,885,000	13,944,420	78,829,420
2041	-	-	-	9,965,000	572,988	10,537,988
	$ 39,775,000	$ 20,385,150	$ 60,160,150	$ 213,515,000	$ 149,710,682	$ 363,225,682

NOTE 7 – NET POSITION

The Fund's net position consisted of the following as of June 30:

	2020	2019
Invested in capital assets, net of related debt		
School property, net	$ 235,839,477	$ 243,523,507
Less: Revenue bonds payable, net	(216,659,293)	(221,979,346)
Invested in capital assets, net of related debt	$ 19,180,184	$ 21,544,161
Restricted for debt service		
Restricted assets	$ 40,014,463	$ 38,103,022
Less: Current liabilities paid from debt service funds:		
Accrued interest on revenue bonds	(2,996,774)	(3,050,068)
	$ 37,017,689	$ 35,052,954
Unrestricted	$ 23,037,902	$ 53,189,315

NOTE 8 – PENSION PLAN

PLAN DESCRIPTION

The Fund participates in the ERS (see Note 2L). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund, which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the New York State Common Retirement Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The ERS provides retirement benefits as well as death and disability benefits. ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12236.

NOTE 8 – PENSION PLAN (Continued)

BENEFITS

The benefits employees will receive are governed by the NYSRSSL. Employees are placed in tiers depending on when they last became members. The benefits in all tiers are 1.67% of the final average salary for each year of service if members retire with less than 20 years. If members retire with more than 20 years of service, the percentages vary according to the tier they are in. The minimum service requirements and minimum age requirement vary according to the tier the employee is in.

Annual cost of living adjustments are provided to pensioners after waiting periods defined in the plan. The adjustments are a percentage of the annual retirement benefit as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost of living percentage is 50% of the Consumer Price Index but not less than 1% or more than 3%.

Ordinary disability benefits are usually one third of salary and are provided to eligible members after ten years or, in some cases, five years of service. Accidental disability benefits are either 75% of salary with an offset for any workers' compensation benefits received or the ordinary disability benefit with the year of service eligibility requirement dropped, depending on the tier. Death benefits are payable upon the death, before retirement, of a member who meets the eligibility requirements as set forth by law. The benefit is generally three times the member's annual salary.

CONTRIBUTIONS

The ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% depending on salary levels for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31.

The actual contributions were equal to the actuarially required amounts. The required contributions to the ERS for the fiscal years ended June 30, 2020 and 2019 were $54,934 and $52,582, respectively. The total pension expense for the fiscal years ended June 30, 2020 and 2019 was $129,253 and $64,771, respectively.

ACTUARIAL ASSUMPTIONS

The total pension liability for the March 31, 2020 and 2019 valuation dates were determined by using actuarial valuations as of April 1, 2019 and 2018, with update procedures used to roll forward the total pension liability to March 31, 2020 and 2019. The actuarial valuations used the following actuarial assumptions:

	April 1, 2019	April 1, 2018
Inflation	2.5%	2.5%
Salary increases	4.2%	4.2%
Investment rate of return (net of investment expense, including inflation)	6.8%	7.0%
Cost of living adjustments	1.3%	1.3%

Annuitant mortality rates for April 1, 2019 valuations were based on the April 1, 2020 through March 31, 2015 System experience with adjustments for mortality improvements using the Society of Actuaries' Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2019 and 2018 valuations are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

NOTE 8 – PENSION PLAN (Continued)

SENSITIVITY OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY DUE TO CHANGES IN THE DISCOUNT RATE

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the employer's proportionate share of net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.8%) or one percentage point higher (7.8%) than the current rate as of June 30, 2020:

	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)
Employer's proportionate share of net pension liability (asset)	$ 735,906	$ 400,977	$ 92,506

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the employer's proportionate share of net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate as of June 30, 2019:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employer's proportionate share of net pension liability (asset)	$ 482,306	$ 110,313	$ (202,188)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Balances of deferred outflows of resources were as follows at June 30:

	2020	2019
Differences between expected and actual experience	$ 23,599	$ 21,723
Changes of assumptions	8,074	27,728
Net difference between projected and actual investment earnings on pension plan investments	205,560	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,096
Employer contributions subsequent to the measurement date	2,047	1,945
	$ 239,280	$ 54,492

NOTE 8 – PENSION PLAN (Continued)

Balances of deferred inflows of resources were as follows at June 30:

	2020	2019
Differences between expected and actual experience	$ -	$ 7,405
Changes of assumptions	6,972	-
Net difference between projected and actual investment earnings on pension plan investments	-	28,312
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,788	23,701
	$ 27,760	$ 59,418

The amounts of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows for each of the years ending June 30:

2021	$ 30,957
2022	51,595
2023	70,600
2024	58,368

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the March 31, 2020 and 2019 actuarial valuations are summarized in the following table:

	March 31, 2020		**March 31, 2019**	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	4.05 %	36 %	4.55 %
International Equity	14	6.15	14	6.35
Private Equity	10	6.75	10	7.50
Real Estate	10	4.95	10	5.55
Absolute Return Strategies	2	3.25	2	3.75
Opportunistic Portfolio	3	4.65	3	5.68
Real Assets	3	5.95	3	5.29
Bonds and Mortgages	17	0.75	17	1.31
Cash	1	-	1	(0.25)
Inflation Indexed Bonds	4	0.50	4	1.25
	100 %		100 %	

The real rate of return is net of the long-term inflation assumption of 2.50%.

NOTE 8 – PENSION PLAN (Continued)

The discount rates used to calculate the total pension liability was 6.8% and 7.0% as of June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The components of the collective net pension liability of ERS were as follows as of the measurement dates ended March 31:

	2020	2019
Total pension liability	$ 194,596,261	$ 189,803,429
Fiduciary net position	(168,115,682)	(182,718,124)
Employers' net pension liability	$ 26,480,579	$ 7,085,305
ERS fiduciary net position as a percentage of total pension liability	86.39%	96.27%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Fund's defined benefit post-employment healthcare plan (the "Plan") which is provided under the New York State Health Insurance Program (the "NYSHIP"), provides medical and dental insurance benefits to eligible employees, retirees and their dependents. As of both June 30, 2020 and 2019, three active employees and six retirees were eligible to receive benefits under the Plan. NYSHIP is administered by the Department of Civil Service of the State of New York. According to the Department of Civil Service, NYSHIP is a cost sharing multiple-employer healthcare plan that is not administered as a trust or trust equivalent and is therefore treated as an agent multiple-employer plan for purposes of analysis of postemployment benefit costs. The Fund has the authority to establish and amend benefit provisions of the Plan. NYSHIP issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to The Department of Civil Service, The State Campus, Albany, New York 12239.

FUNDING POLICY

The combined contribution requirements of Plan members and the Fund are established and may be amended by the Department of Civil Service. The Fund determines the portion of contributions required by retirees, subject to maximum limits established by the Department of Civil Service. The Fund currently provides coverage under the Plan at no cost to its retired members.

At this time, there is no New York State statute providing local governments with the requisite authority for establishing another postemployment benefits trust; therefore, the benefits are funded on a pay-as-you-go basis. No assets are accumulated for payment of OPEB benefits. The total OPEB expense represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess).

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

ANNUAL OTHER POSTEMPLOYMENT BENEFITS COST AND NET OBLIGATION

For the years ended June 30, 2020 and 2019, the Fund's OPEB expense was ($230,716) and ($1,464,779), respectively, and the Fund made $51,900 and $51,363, respectively, in pay-as-you-go employer contributions.

ACTUARIAL METHODS AND ASSUMPTIONS

An actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided as of the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The OPEB liability as of June 30, 2020 was determined by using an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total OPEB liability to June 30, 2020. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry Age Normal cost method, level percent of pay calculated on an individual basis.
Discount rate	2.66% - Since the OPEB plan is not pre-funded, the discount rate was obtained by discounting future benefit payments funded on a pay-as-you-go basis at the Municipal Bond 20-year Index Rate.
Salary increases	3.00% per annum which includes an inflation rate of 2.50% and a general wage increase rate of 0.50%.
General inflation	2.50% assumed long-term inflation.
Mortality	MP-2015 applied on a generational basis.
Healthcare cost trend	Annual healthcare cost trend rate for medical coverage of 6.25 percent initially, reduced by decrements to a rate of 4.5 percent after 8 years.

The OPEB liability as of June 30, 2019 was determined by using an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total OPEB liability to June 30, 2019. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry Age Normal cost method, level percent of pay calculated on an individual basis.
Discount rate	2.79% - Since the OPEB plan is not pre-funded, the discount rate was obtained by discounting future benefit payments funded on a pay-as-you-go basis at the Municipal Bond 20-year Index Rate.
Salary increases	3.00% per annum which includes an inflation rate of 2.50% and a general wage increase rate of 0.50%.
General inflation	2.50% assumed long-term inflation.
Mortality	MP-2015 applied on a generational basis.
Healthcare cost trend	Annual healthcare cost trend rate for medical coverage of 6.25 percent initially, reduced by decrements to a rate of 4.5 percent after 8 years.

The actuarial valuations assumed that no assets will be set aside by the Fund to pre-fund its retiree medical liabilities.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN HEALTHCARE COST TREND RATE AND DISCOUNT RATE

The following shows how net OPEB liability at June 30, 2020 would change based on changes in the discount rate and healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Discount rate	$ 2,435,000	$ 2,049,922	$ 1,750,681
Healthcare cost trend rate	1,726,527	2,049,922	2,464,359

The following shows how net OPEB liability at June 30, 2019 would change based on changes in the discount rate and healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Discount rate	$ 2,581,909	$ 2,150,915	$ 1,820,074
Healthcare cost trend rate	1,743,701	2,150,915	2,709,284

CHANGES IN NET OPEB LIABILITY AND ADDITIONAL INFORMATION

The following shows the changes in the net OPEB liability during the years ended June 30:

	2020	2019
Net OPEB liability - beginning of year	$ 2,150,915	$ 3,879,030
Changes in net OPEB liability:		
Service cost	69,235	77,208
Interest	61,223	117,136
Differences between expected and actual experience	(54,387)	(1,824,770)
Changes in assumptions	(44,437)	(46,326)
Benefit payments	(51,900)	(51,363)
Benefit payments	(80,727)	-
Net OPEB liability - end of year	$ 2,049,922	$ 2,150,915

Changes in assumptions were primarily changes in the discount rate. The Fund is required to use a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). Discount rates of 2.66% and 2.79% were applied to June 30, 2020 and 2019, respectively.

Balances of deferred outflows/inflows of resources related to OPEB were as follows at June 30, 2020:

	Outflows	Inflows
Differences between expected and actual experience	$ -	$ 2,092
Changes of assumptions	-	1,709
	$ -	$ 3,801

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Balances of deferred outflows/inflows of resources related to OPEB were as follows at June 30, 2019:

	Outflows	Inflows
Differences between expected and actual experience	$ -	$ 180,833
Changes of assumptions	-	4,591
	$ -	$ 185,424

The amounts of deferred outflows/inflows of resources related to OPEB as of June 30, 2020 and 2019 will be recognized in pension expense during the years ended June 30, 2021 and 2020, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. ***Tax Equivalency Adjustments***

Individual tenants may receive tax equivalency adjustments as a result of filing for assessment reductions with the City. Additionally, residences may receive shelter rent adjustments. The result of these adjustments, if any, cannot be estimated until settlement is made and, accordingly, no provisions can be made.

B. ***Rent***

The Fund occupies, rent free, office space located in a building owned by the City. The fair market value of the rent is not considered material and therefore rent expense has not been recorded for the years ended June 30, 2020 and 2019, respectively.

C. ***Litigation***

The Fund experiences routine litigation and claims incidental to the construction of its projects, the conduct of its affairs and the ownership of its properties. Such litigation is being defended either by insurance companies on behalf of the Fund or other counsel retained by the Fund. As of June 30, 2020, the probable recoveries and the estimated costs and expenses of the defense of such litigation will, in the opinion of the Fund, be entirely within the Fund's applicable insurance policy limits (subject to applicable deductibles) and, accordingly, will not have a material adverse effect on the Fund's operations or financial condition.

At June 30,2020, the Fund does not anticipate incurring losses in excess of its available insurance coverage.

D. ***COVID-19***

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. While the Fund could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, the Fund has not realized any such impact to date. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Fund's mission, financial condition and results of operations cannot be predicted, but the Fund's financial position and outlook remain strong. Any new information that may emerge concerning the pandemic or other health crisis will be monitored by the Fund and taken into account in its forecasting.

NOTE 11 – ARBITRAGE REBATE PROGRAM

In accordance with the Internal Revenue Code of 1986, as amended, the Fund is required to pay the United States Treasury certain amounts related to the Fund's tax-exempt bond issues. The estimated amount of non-purpose arbitrage payable represents the excess of amounts earned on "taxable" investments over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. Rebate payments are due 60 days after April 28, 2020 for the 2010A Bonds, 60 days after January 25, 2021 for the 2011A Bonds and 60 days after October 25, 2023 for the 2018A Bonds. At both June 30, 2020 and 2019, the estimated liability for non-purpose interest arbitrage rebate was $0 for 2010A and 2011A bond series. The 2018A Bonds had a $144,000 and $0 estimated liability as of June 30, 2020 and 2019, respectively.

NOTE 12 – TAX ABATEMENT

By setting aside at least 20% of its units as affordable, the Fund's tenant at 331 East 91st Street applied for a 421(a) tax abatement, which was approved by the New York City Department of Finance starting in fiscal year 2012. During the years ended June 30, 2020 and 2019, actual taxes for the property would have been $2,946,081 and $2,186,052, respectively, with the 421(a) abatement. In accordance with the lease, the tenant pays tax equivalency to the Fund that is the greater of (a) the minimum payment set forth in the lease schedule, or (b) what the actual taxes would have been with the abatement. During the years ended June 30, 2020 and 2019, total tax equivalency paid for 331 East 91st Street was $3,925,035 and $3,020,907, respectively, which is greater than or equal to the abated amount.

NOTE 13 – DISTRIBUTION TO NEW YORK CITY DEPARTMENT OF EDUCATION

For the years ended June 30, 2020 and 2019, the Fund made distributions to the New York City Department of Education ("DOE") of $45 million and $35 million, respectively, as requested by the New York City Mayor's Office of Management and Budget and approved by the Fund's Board. New York State Education Law, Section 462(2)(g), authorizes the Fund to make payments to the DOE for school purposes when there exists an excess of funds necessary for debt service on the outstanding bonds of the Fund.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30,

New York State and Local Employees' Retirement System

	2020	2019	2018	2017	2016
The Fund's proportion of the net pension liability (asset)	0.00151420%	0.00155690%	0.00160740%	0.00165020%	0.00207120%
The Fund's proportionate share of the net pension liability (asset)	$ 400,977	$ 110,313	$ 51,877	$ 155,053	$ 332,440
The Fund's covered employee payroll	$ 291,441	$ 287,333	$ 277,315	$ 273,033	$ 261,656
The Fund's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	137.58%	38.39%	18.71%	56.79%	127.05%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%

NOTES TO THE SCHEDULE:

(1) This schedule is intended to present the 10 most current fiscal years of data. However, information for fiscal year 2015 and prior years is not available prior to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* .

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30,

New York State and Local Retirement System

	2020	2019	2018	2017	2016
The Fund's actuarially determined contribution (2)	$ 54,934	$ 52,582	$ 53,039	$ 64,406	$ 88,712
The Fund's contribution in relation to the actuarially determined contribution (3)	54,934	52,582	53,039	64,406	88,712
The Fund's covered employee payroll (4)	$ 291,441	$ 287,333	$ 277,315	$ 273,033	$ 261,656
The Fund's contribution as a percentage of covered employee payroll	18.85%	18.30%	19.13%	23.59%	33.90%

NOTES TO THE SCHEDULE:

(1) This schedule is intended to present the 10 most current fiscal years of data. However, information for fiscal year 2015 and prior years is not available prior to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* .

(2) The actuarially determined contribution includes normal costs, adjustments made to record the reconciliation of projected salary to actual salary and other adjustments.

(3) The contributions in relation to the actuarially determined contribution reflects the actual payments made during the fiscal year.

(4) In accordance with GASB Statement No. 82, *Pension Issues* , which was adopted by the Fund in fiscal year 2016, covered payroll is defined as the payroll on which contributions to a pension plan are based. Prior to the issuance of GASB Statement No. 82, the GASB required presentation of covered employee payroll, which is defined as the payroll of employees that are provided with pensions through the pension plan.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30,

	2020	2019	2018	2017	2016
Total OPEB liability - beginning of year (2)	$ 2,150,915	$ 3,879,030	$ 3,541,815	$ 1,747,963	$ 1,953,942
Changes in total OPEB liability:					
Service cost	69,235	77,208	78,627	76,223	92,498
Interest	61,223	117,136	113,500	108,370	54,890
Differences between expected and actual experience	(54,387)	(1,824,770)	37,345	2,178,629	20,054
Changes in assumptions (3)	(44,437)	(46,326)	166,200	(509,720)	(311,118)
Benefit payments	(51,900)	(51,363)	(58,457)	(59,650)	(62,303)
Benefit payments	(80,727)	-	-	-	-
Net change in total OPEB liability	(100,993)	(1,728,115)	337,215	1,793,852	(205,979)
Total OPEB liability - end of year (2)	$ 2,049,922	$ 2,150,915	$ 3,879,030	$ 3,541,815	$ 1,747,963
Covered employee payroll (4)	$ -	$ -	$ -	$ -	$ 483,451
Total OPEB liability as a percentage of covered employee payroll (4)	-	-	-	-	362%

NOTES TO THE SCHEDULE:

(1) This schedule is intended to present the 10 most current fiscal years of data. However, information for fiscal year 2015 and prior years is not available prior to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* .

(2) No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

(3) Changes in assumptions were primarily changes in the discount rate. The Fund is required to use a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). Discount rates were as follows for the years ended June 30:

2020	2019	2018	2017	2016
2.66%	2.79%	2.98%	3.13%	2.71%

(4) As per GASB Statement No. 85 which was adopted by the Fund in fiscal year 2017, the definition of covered payroll is the “payroll on which contributions to the OPEB plan are based.” However, “if contributions to the OPEB plan are not based on a measure of pay, no measure of payroll should be presented.” The Fund funds OPEB benefits on a pay-as-you-go basis and contributions are not based on payroll. Payments are only made to the OPEB plan as benefit payments are made to the retirees (or their spouses or dependents). Therefore, the Fund has omitted the disclosure of covered payroll in the above schedule for fiscal years 2017 and subsequent years.

(5) The Fund funds OPEB benefits on a pay-as-you-go basis and contributions are not actuarially determined. Therefore, the required supplementary information related to actuarially determined contributions for the 10 most current fiscal years is not applicable.