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, 2022 and 2021

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

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

**JUNE 30, 2022 AND 2021**

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# INDEPENDENT AUDITORS' REPORT

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

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities and governmental funds of the New York City Educational Construction Fund (the "Fund"), a component unit of The City of New York, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the respective financial position of the governmental activities and governmental funds of the Fund as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Other Matter*

The financial statements of the Fund as of and for the year ended June 30, 2021 were audited by other auditors whose report dated September 29, 2021 expressed unmodified opinions on those statements. As discussed in Note 2 to the financial statements, the Fund has adjusted its June 30, 2021 financial statements to retrospectively apply the change in accounting required by Governmental Accounting Standards Board Statement No. 87, *Leases*. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the June 30, 2022 financial statements, we also audited the adjustments to the June 30, 2021 financial statements to retrospectively apply the change in accounting as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Fund's June 30, 2021 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2021 financial statements as a whole.

### *Emphasis of Matter*

As discussed in Note 2, the Fund has restated its financial statements as of and for the year ended June 30, 2021 during the current year to retroactively implement Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Express professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the schedule of the Fund's proportionate share of the net pension liability on page 46, the schedule of employer contributions on page 47 and the schedule of changes in total OPEB liability and related ratios on page 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mayer Hoffman McCann CPAs

New York, NY
September 30, 2022

## 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, 2022 and 2021. 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 three funds: (1) a General Fund, (2) a Debt Service Fund and (3) a Capital Projects 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 implemented GASB Statement No. 87, *Leases*, in the current year financial statements. The adoption of GASB 87 had no effect on the beginning net position as reported for the year ended June 30, 2021 but required the recognition of the following components as of July 1, 2020 (the adoption date):

| | |
|---|---|
| Leases receivable | $ 365,429,876 |
| Deferred inflow of resources - leases | (365,429,876) |
| Effect on July 1, 2020 net position | $ - |

The discounted leases receivable is the present value of the future rents the Fund will receive from its properties, for those lease payments that are fixed or are variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate). A deferred inflow of resources was recognized in an amount equal to the initial measurement of the leases receivable. Rental revenue is recognized in the statements of activities on a straight-line basis over the term of the leases and the deferred inflows of resources is reduced in the same manner.

GASB 87 requires the Fund's financial statements to be adjusted retrospectively for the earliest period presented. Certain balances reported for the year ended June 30, 2021, have been restated to conform to the requirements of GASB 87 and the following line items have been restated:

**Statement of Net Position:**

| | As Previously Reported | As Restated | Adjustment |
|---|---|---|---|
| Leases receivable | $ - | $ 360,271,462 | $ 360,271,462 |
| Deferred inflows of resources - leases | $ - | $ 358,710,365 | $ 358,710,365 |
| Net position | $ 92,933,601 | $ 94,494,698 | $ 1,561,097 |

**Statement of Activities:**

| | As Previously Reported | As Restated | Adjustment |
|---|---|---|---|
| Rental income and tax equivalency payments, net of refunds | $ 33,605,521 | $ 35,004,644 | $ 1,399,123 |
| Interest - leases | $ - | $ 161,974 | $ 161,974 |
| Total operating revenues | $ 34,125,538 | $ 35,686,635 | $ 1,561,097 |
| Operating income | $ 13,697,826 | $ 15,258,923 | $ 1,561,097 |
| Change in total net position | $ 13,697,826 | $ 15,258,923 | $ 1,561,097 |

The Fund generated net operating income (revenues minus operating expenses) of $17.8 million in fiscal year 2022, compared to $15.3 million in fiscal year 2021 (as restated) and $14.4 million in fiscal year 2020. The Fund's rental income and tax equivalency payments from its existing properties grew to $36.5 million in fiscal year 2022, compared to $35 million in fiscal year 2021 (as restated) and $31.3 million in fiscal year 2020.

The Fund's fiscal year 2022 investment income decreased as a result of the fair value adjustment recognized for certain U.S. Treasury securities. The Fund will hold the U.S. Treasury securities to maturity and will receive the full par value and coupons and, as such, will not realize losses on market fluctuations.

## FINANCIAL HIGHLIGHTS (Continued)

The Fund's operating expenses were lower in fiscal year 2022 than in fiscal year 2021 due to bond issuance costs in fiscal year 2021.

In March 2021, the Fund refunded $122.76 million in outstanding 2011A bonds. As a result, the Fund was able to achieve net present value debt service savings of almost $49.5 million. The 2021A bond transaction closed in March 2021, and the remaining 2011A bonds were redeemed in April 2021.

On June 11, 2021, the Fund issued $118.4 million in 2021B Direct Purchase bonds to fund the 80 Flatbush schools project. Barclays Bank was selected as the direct purchaser of the bonds. On July 15, 2021, the Fund and the developer Alloy LLC closed on the development of the combined occupancy structure including the schools, residential and commercial buildings that are planned for the full 80 Flatbush block. The Fund provided a $10 million contribution to maintain area needed to construct the school.

In July 2021, the Fund began construction of the 80 Flatbush project which includes a new Khalil Gibran High School and a new K-5 school in downtown Brooklyn. Construction is progressing, and ECF is on track to reach substantial completion by spring/summer 2024, with school opening in fall 2024. Construction in progress costs were approximately $42.5 million as of June 30, 2022 with a total budget of $153 million. The project includes the first "passive house" schools in the City. Passive houses require very little energy to achieve a comfortable temperature year-round, making conventional heating and air conditioning systems obsolete.

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):**

| | 2022 | (As Restated) 2021 | 2020 |
|---|---|---|---|
| ASSETS: | | | |
| Capital assets | $ 265,254 | $ 237,458 | $ 235,839 |
| Leases receivable | 355,034 | 360,271 | - |
| Other assets | 206,530 | 231,582 | 75,441 |
| Total assets | 826,818 | 829,311 | 311,280 |
| Deferred outflows of resources | 1,283 | 1,460 | 239 |
| LIABILITIES: | | | |
| Current liabilities | 14,609 | 9,291 | 8,289 |
| Long-term liabilities | 347,466 | 358,104 | 214,080 |
| Total liabilities | 362,075 | 367,395 | 222,369 |
| Deferred inflows of resources | 363,761 | 368,881 | 9,915 |
| NET POSITION: | | | |
| Net investment in capital assets | (86,060) | (122,114) | 19,180 |
| Restricted for capital projects | 115,794 | 150,663 | - |
| Restricted for debt service | 43,862 | 42,233 | 37,018 |
| Unrestricted | 28,669 | 23,713 | 23,037 |
| Total net position | $ 102,265 | $ 94,495 | $ 79,235 |

**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):**

| | 2022 | (As Restated) 2021 | 2020 |
|---|---|---|---|
| Operating Revenues: | | | |
| Rental income and tax equivalency payments | $ 36,483 | $ 35,005 | $ 31,302 |
| Additional rent | - | - | 834 |
| Interest - leases | 334 | 162 | |
| Investment income (loss) | (599) | 520 | 1,911 |
| Total revenues | 36,218 | 35,687 | 34,047 |
| Operating Expenses: | | | |
| General and administrative expenses | 8,638 | 8,451 | 9,079 |
| Interest | 9,781 | 10,352 | 10,519 |
| Bond issuance costs | 29 | 1,624 | - |
| Total operating expenses | 18,448 | 20,427 | 19,598 |
| Operating income | 17,770 | 15,260 | 14,449 |
| Non-Operating Expenses: | | | |
| Distribution to DOE | - | - | 45,000 |
| Payment to developer | 10,000 | - | - |
| Total non-operating expenses | 10,000 | - | 45,000 |
| Change in net position | 7,770 | 15,260 | (30,551) |
| Net position, beginning of year | 94,495 | 79,235 | 109,786 |
| Net position, end of year | $ 102,265 | $ 94,495 | $ 79,235 |

Certain balances reported for the year ended June 30, 2021, have been restated to conform to the requirements of GASB 87 and the following line items have been restated for the General Fund:

**Governmental Funds - Balance Sheet - General Fund**

| | As Previously Reported | As Restated | Adjustment |
|---|---|---|---|
| Leases receivable | $ - | $ 360,271,462 | $ 360,271,462 |
| Deferred inflows of resources - leases | $ - | $ 358,710,365 | $ 358,710,365 |
| Fund balance | $ 24,494,934 | $ 26,056,031 | $ 1,561,097 |

## FINANCIAL HIGHLIGHTS (Continued)

### Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund

| | As Previously Reported | As Restated | Adjustment |
|---|---|---|---|
| Rental income and tax equivalency payments, net of refunds | $ 33,605,521 | $ 35,004,644 | $ 1,399,123 |
| Interest - leases | $ - | $ 161,974 | $ 161,974 |
| Total revenues | $ 33,625,675 | $ 35,186,772 | $ 1,561,097 |
| Excess of revenues over expenditures | $ 31,728,738 | $ 33,289,835 | $ 1,561,097 |
| Net change in fund balances | $ 6,009,010 | $ 7,570,107 | $ 1,561,097 |

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):**

| | 2022 | (As Restated) 2021 | 2020 |
|---|---|---|---|
| ASSETS: | | | |
| Cash and cash equivalents | $ 7,828 | $ 16,051 | $ 6,558 |
| Investments | 28,763 | 16,242 | 19,768 |
| Leases receivable | 355,034 | 360,271 | - |
| Other assets | 355 | 336 | 241 |
| Total assets | 391,980 | 392,900 | 26,567 |
| LIABILITIES: | | | |
| Accrued expenses and other liabilities | 19 | 150 | 158 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Advance rental receipts | 9,519 | 7,984 | 7,923 |
| Deferred inflows - leases | 351,991 | 358,710 | - |
| | 361,510 | 366,694 | 7,923 |
| FUND BALANCES: | | | |
| Nonspendable | 355 | 336 | 241 |
| Unassigned | 30,096 | 25,720 | 18,245 |
| Total fund balances | $ 30,451 | $ 26,056 | $ 18,486 |

The governmental funds balance sheets differ from the statements of net position, for example, by excluding school property and long-term liabilities. Likewise, the governmental funds report the effect of bond premiums and refunding gains when the debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. See pages 18 and 21 for the reconciliation of the governmental funds statements to the statements of net position and activities.

## 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):**

| | 2022 | (As Restated) 2021 | 2020 |
|---|---|---|---|
| Revenues: | | | |
| Rental income and tax equivalency payments | $ 36,483 | $ 35,005 | $ 31,302 |
| Interest - leases | 334 | 162 | - |
| Additional rent | - | - | 834 |
| Investment income | 9 | 20 | 1,229 |
| Total revenues | 36,826 | 35,187 | 33,365 |
| Expenditures: | | | |
| General and administrative | 2,490 | 1,897 | 6,990 |
| Distribution to DOE | - | - | 45,000 |
| Payment to developer | 10,000 | - | - |
| Total expenditures | 12,490 | 1,897 | 51,990 |
| Other Financing Sources (Uses): | | | |
| Interfund transfers | (19,941) | (25,720) | (16,987) |
| | (19,941) | (25,720) | (16,987) |
| Change in fund balances | 4,395 | 7,570 | (35,612) |
| Fund balances, beginning of year | 26,056 | 18,486 | 54,098 |
| Fund balances, end of year | $ 30,451 | $ 26,056 | $ 18,486 |

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

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

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| ASSETS: | | | |
| Restricted investments | $ 47,504 | $ 45,861 | $ 40,014 |
| Total assets | 47,504 | 45,861 | 40,014 |
| LIABILITIES: | | | |
| Accrued expenses and other liabilities | - | 453 | - |
| Total liabilities | - | 453 | - |
| FUND BALANCES: | | | |
| Restricted | 47,504 | 45,408 | 40,014 |
| Total fund balances | $ 47,504 | $ 45,408 | $ 40,014 |

**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):**

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Revenues: | | | |
| Investment income (loss) | $ (187) | $ 255 | $ 1,017 |
| Total revenues | (187) | 255 | 1,017 |
| Expenditures: | | | |
| Bond principal payments | 4,845 | 1,845 | 4,840 |
| Interest expense | 12,856 | 11,062 | 11,253 |
| Bond issuance costs | 29 | 1,624 | - |
| Total expenditures | 17,730 | 14,531 | 16,093 |
| Other Financing Sources (Uses): | | | |
| Principal paid on refunding bonds | - | (125,945) | - |
| Refunding bond proceeds | - | 97,855 | - |
| Premium on refunding bonds | - | 21,541 | - |
| Interfund transfers | 20,013 | 26,219 | 16,987 |
| | 20,013 | 19,670 | 16,987 |
| Change in fund balances | 2,096 | 5,394 | 1,911 |
| Fund balances, beginning of year | 45,408 | 40,014 | 38,103 |
| Fund balances, end of year | $ 47,504 | $ 45,408 | $ 40,014 |

## FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the Capital Projects Fund total assets, liabilities and fund balances as of June 30:

**Balance Sheets - Capital Projects Fund as of June 30, ($ in Thousands):**

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| ASSETS: | | | |
| Restricted investments | $ 119,731 | $ 151,182 | $ - |
| Total assets | 119,731 | 151,182 | - |
| LIABILITIES: | | | |
| Accrued expenses and other liabilities | 3,937 | 520 | - |
| Total liabilities | 3,937 | 520 | - |
| FUND BALANCES: | | | |
| Restricted | 115,794 | 150,662 | - |
| Total fund balances | $ 115,794 | $ 150,662 | $ - |

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

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

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Revenues: | | | |
| Investment loss | $ (677) | $ (56) | $ - |
| Total revenues | (677) | (56) | - |
| Expenditures: | | | |
| Capital expenditures | 34,120 | 1,280 | - |
| Site evaluation and development costs | 18 | 299 | - |
| Total expenditures | 34,138 | 1,579 | - |
| Other Financing Sources (Uses): | | | |
| Proceeds from bonds | - | 118,410 | - |
| Premium on bonds | - | 34,386 | - |
| Interfund transfers | (53) | (499) | - |
| | (53) | 152,297 | - |
| Change in fund balances | (34,868) | 150,662 | - |
| Fund balances, beginning of year | 150,662 | - | - |
| Fund balances, end of year | $ 115,794 | $ 150,662 | $ - |

## FINANCIAL HIGHLIGHTS (Continued)

**Other Selected Financial Information for the Years Ended June 30,**

| | 2022 | (As Restated) 2021 | 2020 |
|---|---|---|---|
| Ratio of revenues to: | | | |
| General and administrative expenses | 4.19 | 4.22 | 3.75 |
| General and administrative expenses, excluding depreciation and OPEB expense | 15.13 | 19.17 | 20.94 |
| Total assets | 0.04 | 0.04 | 0.11 |
| Debt related ratios: | | | |
| Debt coverage ratio | 1.91 | 2.62 | 2.01 |

## 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[1] | 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

For the Fund's existing project at the Terence Tolbert Campus, the Fund, New York City Department of Housing Preservation and Development ("HPD") and New York City Mayor's Office of Management and Budget ("OMB") have agreed to an extension of the lease at 3333 Broadway with the Fund's tenant. This lease will now run 99 years, continue ground lease payments to the Fund and will convert over 500 apartments in the building into affordable units over the lease term. The lease extension agreement closed in August 2022.

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

## ECONOMIC FACTORS AND FUTURE RESULTS (Continued)

In fiscal year 2023, the Fund expects rental and tax equivalency revenues to continue to grow. The Fund expects contractual services and insurance premiums reflecting market conditions to result in moderately higher general and administrative expenses. While interest on bonds will increase somewhat in future years because of the new 2021B bonds, the Fund expects total debt service will still be covered by the Fund's rent and tax equivalency revenues.

### 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, Chief Financial Officer, New York City Educational Construction Fund, 30-30 Thomson Avenue, 6th Floor, Long Island City, New York 11101.

**NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND**
**STATEMENTS OF NET POSITION**
**AS OF JUNE 30, 2022 AND 2021**

| | 2022 | (As Restated) 2021 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents (Notes 2C and 3) | $ 7,828,378 | $ 16,050,880 |
| Investments (Notes 2D and 3) | 28,763,150 | 16,242,346 |
| Restricted investments (Notes 2D, 2E and 3) | 167,234,450 | 197,043,097 |
| Interest receivable on investments | 419,855 | 163,893 |
| Interest subsidy receivable (Note 6) | 224,355 | 172,290 |
| Leases receivable (Notes 2K, 2P and 4) | 355,034,285 | 360,271,462 |
| Prepaid expenses and other current assets | 354,794 | 335,709 |
| Net pension asset (Notes 2L and 8) | 112,361 | - |
| Site evaluation and development costs (Note 2F) | 1,591,436 | 1,572,964 |
| Capital assets (Notes 2G and 5): | | |
| Nondepreciable | 42,519,290 | 8,417,289 |
| Depreciable, net | 222,735,071 | 229,041,196 |
| **TOTAL ASSETS** | 826,817,425 | 829,311,126 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred outflows - pension (Notes 2L, 2N and 8) | 201,439 | 276,444 |
| Deferred outflows - other postemployment benefits (Notes 2M, 2N and 9) | 2,916 | - |
| Deferred outflows - bond refunding (Notes 2N and 6) | 1,079,140 | 1,183,780 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 1,283,495 | 1,460,224 |
| **LIABILITIES** | | |
| Accrued interest on revenue bonds (Note 6) | 3,641,689 | 3,174,574 |
| Accrued expenses and other liabilities (Note 2J) | | |
| Due within one year | 4,117,702 | 1,271,695 |
| Other postemployment benefits liability (Notes 2M and 9) | 1,410,649 | 1,802,605 |
| Net pension liability (Notes 2L and 8) | - | 1,397 |
| Revenue bonds, net of unamortized bond discount/premium (Notes 2I, 6 and 11) | | |
| Due within one year | 6,850,000 | 4,845,000 |
| Due in more than one year | 346,055,420 | 356,300,257 |
| **TOTAL LIABILITIES** | 362,075,460 | 367,395,528 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Advance rental and tax equivalency receipts (Notes 2K and 2N) | 9,519,662 | 7,983,725 |
| Deferred inflows - bond refunding (Notes 2N and 6) | 1,560,352 | 1,759,772 |
| Deferred inflows - pension (Notes 2L, 2N and 8) | 396,834 | 427,262 |
| Deferred inflows - other postemployment benefits (Notes 2M, 2N and 9) | 292,851 | - |
| Deferred inflows - leases (Notes 2K, 2N and 2P) | 351,990,851 | 358,710,365 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 363,760,550 | 368,881,124 |
| **COMMITMENTS AND CONTINGENCIES** (Note 10) | | |
| **NET POSITION** (Notes 2O and 7) | | |
| Net investment in capital assets | (86,059,623) | (122,113,808) |
| Restricted for: | | |
| Capital projects | 115,793,518 | 150,662,516 |
| Debt service | 43,861,883 | 42,233,209 |
| Unrestricted | 28,669,132 | 23,712,781 |
| **TOTAL NET POSITION** | $ 102,264,910 | $ 94,494,698 |

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, 2022 AND 2021**

| | 2022 | (As Restated) 2021 |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Revenue from leases (Notes 2K, 2P and 4) | | |
| Rents and tax equivalency payments, net of refunds | $ 36,483,183 | $ 35,004,644 |
| Interest - leases | 334,058 | 161,974 |
| Investment (loss) income (Note 3) | (599,349) | 520,017 |
| **TOTAL OPERATING REVENUES** | 36,217,892 | 35,686,635 |
| **OPERATING EXPENSES:** | | |
| General and administrative expenses, including depreciation expense of $6,306,125 and $6,798,281, respectively | 8,637,698 | 8,451,243 |
| Interest on bonds (Note 6) | 9,780,982 | 10,352,354 |
| Bond issuance costs (Note 2H) | 29,000 | 1,624,115 |
| **TOTAL OPERATING EXPENSES** | 18,447,680 | 20,427,712 |
| **OPERATING INCOME** | 17,770,212 | 15,258,923 |
| **NON-OPERATING EXPENSES:** | | |
| Payment to developer (Note 12) | 10,000,000 | - |
| **TOTAL NON-OPERATING EXPENSES** | 10,000,000 | - |
| **CHANGE IN TOTAL NET POSITION** | 7,770,212 | 15,258,923 |
| **NET POSITION - BEGINNING OF YEAR** | 94,494,698 | 79,235,775 |
| **NET POSITION - END OF YEAR** | $ 102,264,910 | $ 94,494,698 |

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

**NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND**
**GOVERNMENTAL FUNDS - BALANCE SHEET**
**JUNE 30, 2022**

| | General | Capital Projects | Debt Service | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| Cash and cash equivalents | $ 7,828,378 | $ - | $ - | $ 7,828,378 |
| Investments | 28,763,150 | - | - | 28,763,150 |
| Restricted investments | - | 119,730,878 | 47,503,572 | 167,234,450 |
| Leases receivable | 355,034,285 | - | - | 355,034,285 |
| Prepaid expenses and other current assets | 354,794 | - | - | 354,794 |
| **TOTAL ASSETS** | $ 391,980,607 | $ 119,730,878 | $ 47,503,572 | $ 559,215,057 |
| **LIABILITIES:** | | | | |
| Accrued expenses and other liabilities | $ 18,744 | $ 3,937,360 | $ - | $ 3,956,104 |
| **TOTAL LIABILITIES** | 18,744 | 3,937,360 | - | 3,956,104 |
| **DEFERRED INFLOWS OF RESOURCES:** | | | | |
| Advance rental receipts | 9,519,662 | - | - | 9,519,662 |
| Deferred inflows - leases | 351,990,851 | - | - | 351,990,851 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 361,510,513 | - | - | 361,510,513 |
| **FUND BALANCES** (Note 2O)**:** | | | | |
| Nonspendable | 354,794 | - | - | 354,794 |
| Restricted | - | 115,793,518 | 47,503,572 | 163,297,090 |
| Unassigned | 30,096,556 | - | - | 30,096,556 |
| **TOTAL FUND BALANCES** | 30,451,350 | 115,793,518 | 47,503,572 | 193,748,440 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | $ 391,980,607 | $ 119,730,878 | $ 47,503,572 | $ 559,215,057 |

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

**NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND**
**GOVERNMENTAL FUNDS - BALANCE SHEET**
**JUNE 30, 2021**
**(AS RESTATED)**

| | General | Capital Projects | Debt Service | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| Cash and cash equivalents | $ 16,050,880 | $ - | $ - | $ 16,050,880 |
| Investments | 16,242,346 | - | - | 16,242,346 |
| Restricted investments | - | 151,182,386 | 45,860,711 | 197,043,097 |
| Leases receivable | 360,271,462 | - | - | 360,271,462 |
| Prepaid expenses and other current assets | 335,709 | - | - | 335,709 |
| **TOTAL ASSETS** | $ 392,900,397 | $ 151,182,386 | $ 45,860,711 | $ 589,943,494 |
| **LIABILITIES:** | | | | |
| Accrued expenses and other liabilities | $ 150,276 | $ 519,870 | $ 452,928 | $ 1,123,074 |
| **TOTAL LIABILITIES** | 150,276 | 519,870 | 452,928 | 1,123,074 |
| **DEFERRED INFLOWS OF RESOURCES:** | | | | |
| Advance rental receipts | 7,983,725 | - | - | 7,983,725 |
| Deferred inflows - leases | 358,710,365 | - | - | 358,710,365 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 366,694,090 | - | - | 366,694,090 |
| **FUND BALANCES** (Note 2O)**:** | | | | |
| Nonspendable | 335,709 | - | - | 335,709 |
| Restricted | - | 150,662,516 | 45,407,783 | 196,070,299 |
| Unassigned | 25,720,322 | - | - | 25,720,322 |
| **TOTAL FUND BALANCES** | 26,056,031 | 150,662,516 | 45,407,783 | 222,126,330 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | $ 392,900,397 | $ 151,182,386 | $ 45,860,711 | $ 589,943,494 |

**NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND**
**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS**
**TO THE STATEMENTS OF NET POSITION**
**JUNE 30, 2022 AND 2021**

| | 2022 | (As Restated) 2021 |
|---|---|---|
| Total fund balances - governmental funds | $ 193,748,440 | $ 222,126,330 |
| 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. | 265,254,361 | 237,458,485 |
| 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. | (55,760,420) | (59,155,257) |
| 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 | 419,855 | 163,893 |
| Interest subsidy receivable | 224,355 | 172,290 |
| Net pension asset | 112,361 | - |
| Site evaluation and development costs | 1,591,436 | 1,572,964 |
| 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 | (297,145,000) | (301,990,000) |
| Accrued interest on revenue bonds | (3,641,689) | (3,174,574) |
| Accrued vacation and sick pay | (161,598) | (148,621) |
| Net pension liability | - | (1,397) |
| Other postemployment benefits liability | (1,410,649) | (1,802,605) |
| Governmental funds do not report the effect of gains or losses on refunding bonds and deferred outflows/inflows related to pensions, other postemployment benefits and leases as these amounts are deferred and amortized in the statements of activities. | | |
| Pension | (195,395) | (150,818) |
| Other postemployment benefits | (289,935) | - |
| Loss/gain on refunding | (481,212) | (575,992) |
| Net position of governmental activities | $ 102,264,910 | $ 94,494,698 |

**NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND**
**GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | General | Capital Projects | Debt Service | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Rental income and tax equivalency payments, net of refunds | $ 36,483,183 | $ - | $ - | $ 36,483,183 |
| Interest - leases | 334,058 | - | - | 334,058 |
| Investment income (loss) | 9,146 | (677,239) | (187,218) | (855,311) |
| **TOTAL REVENUES** | 36,826,387 | (677,239) | (187,218) | 35,961,930 |
| **TOTAL REVENUES** | 36,826,387 | (677,239) | (187,218) | 35,961,930 |
| **EXPENDITURES:** | | | | |
| General and administrative | 2,489,798 | - | - | 2,489,798 |
| Capital expenditures | - | 34,102,001 | - | 34,102,001 |
| Site evaluation and development costs | - | 18,472 | - | 18,472 |
| Bond principal payments | - | - | 4,845,000 | 4,845,000 |
| Interest expense | - | - | 12,855,549 | 12,855,549 |
| Bond issuance costs | - | - | 29,000 | 29,000 |
| Payment to developer | 10,000,000 | - | - | 10,000,000 |
| **TOTAL EXPENDITURES** | 12,489,798 | 34,120,473 | 17,729,549 | 64,339,820 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | 24,336,589 | (34,797,712) | (17,916,767) | (28,377,890) |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Interfund transfers | (19,941,270) | (71,286) | 20,012,556 | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (19,941,270) | (71,286) | 20,012,556 | - |
| **NET CHANGE IN FUND BALANCES** | 4,395,319 | (34,868,998) | 2,095,789 | (28,377,890) |
| **FUND BALANCES - BEGINNING OF YEAR** | 26,056,031 | 150,662,516 | 45,407,783 | 222,126,330 |
| **FUND BALANCES - END OF YEAR** | $ 30,451,350 | $ 115,793,518 | $ 47,503,572 | $ 193,748,440 |

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, 2021**
**(AS RESTATED)**

| | General | Capital Projects | Debt Service | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Rental income and tax equivalency payments, net of refunds | $ 35,004,644 | $ - | $ - | $ 35,004,644 |
| Interest - leases | 161,974 | - | - | 161,974 |
| Investment income (loss) | 20,154 | (55,610) | 255,169 | 219,713 |
| **TOTAL REVENUES** | 35,186,772 | (55,610) | 255,169 | 35,386,331 |
| **EXPENDITURES:** | | | | |
| General and administrative | 1,896,937 | - | - | 1,896,937 |
| Capital expenditures | - | 1,280,422 | - | 1,280,422 |
| Site evaluation and development costs | - | 298,483 | - | 298,483 |
| Bond principal payments | - | - | 1,845,000 | 1,845,000 |
| Interest expense | - | - | 11,062,238 | 11,062,238 |
| Bond issuance costs | - | - | 1,624,115 | 1,624,115 |
| **TOTAL EXPENDITURES** | 1,896,937 | 1,578,905 | 14,531,353 | 18,007,195 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | 33,289,835 | (1,634,515) | (14,276,184) | 17,379,136 |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Proceeds from bonds | - | 118,410,000 | - | 118,410,000 |
| Premium on bonds | - | 34,385,850 | - | 34,385,850 |
| Principal paid on refunding bonds | - | - | (125,945,000) | (125,945,000) |
| Refunding bond proceeds | - | - | 97,855,000 | 97,855,000 |
| Premium on refunding bonds | - | - | 21,540,957 | 21,540,957 |
| Interfund transfers | (25,719,728) | (498,819) | 26,218,547 | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (25,719,728) | 152,297,031 | 19,669,504 | 146,246,807 |
| **NET CHANGE IN FUND BALANCES** | 7,570,107 | 150,662,516 | 5,393,320 | 163,625,943 |
| **FUND BALANCES - BEGINNING OF YEAR** | 18,485,924 | - | 40,014,463 | 58,500,387 |
| **FUND BALANCES - END OF YEAR** | $ 26,056,031 | $ 150,662,516 | $ 45,407,783 | $ 222,126,330 |

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, 2022 AND 2021**

| | 2022 | (As Restated) 2021 |
|---|---|---|
| Net changes in fund balances - governmental funds | $ (28,377,890) | $ 163,625,943 |
| 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. | | |
| Capital outlays | 34,102,001 | 1,280,422 |
| Site evaluation and development costs | 18,472 | 298,483 |
| Depreciation expense | (6,306,125) | (6,798,281) |
| 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 | - | (216,265,000) |
| Premium on bonds | - | (55,926,807) |
| Principal paid on refunding bonds | - | 125,945,000 |
| Principal payments of bonds | 4,845,000 | 1,845,000 |
| Bond premium/discount | 3,394,837 | 858,452 |
| Gain/loss on refunding | 94,780 | 92,630 |
| Investment and interest income | 255,962 | 300,304 |
| 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 | (415,050) | (241,198) |
| Pension | 69,181 | 37,242 |
| Other postemployment benefits | 102,021 | 251,118 |
| Other | (12,977) | (44,385) |
| Change in net position of governmental activities | $ 7,770,212 | $ 15,258,923 |

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

## 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.

During the year ended June 30, 2021, construction commenced on the Khalil Gibran International Academy/80 Flatbush project and site evaluation and development costs of $7,136,867 related to the project were reclassified to construction in progress (see Note 5).

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. ***Revenue from Leases***

Upon the adoption of GASB Statement No. 87, *Leases*, the Fund has recognized leases receivable measured at the present value of lease payments expected to be received during the lease terms, for those lease payments that are fixed or are variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate). The leases receivable are being amortized with interest revenue being recognized over the terms of the leases. A deferred inflow of resources was recognized in an amount equal to the initial measurement of the leases receivable. Rental revenue is recognized on a straight-line basis over the term of the leases and the deferred inflows of resources is reduced in the same manner.

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

Rental income and tax equivalency payments that are variable are recognized as revenues in the period to which those payments 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).

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, 2022 and 2021, the Fund reported deferred outflows of resources of $1,079,140 and $1,183,780, respectively, and deferred inflows of resources of $1,560,352 and $1,759,772, respectively, for a deferred loss/gain on refunding bonds in the statements of net position. These amounts result from the difference in the carrying value of the refunded debt and its reacquisition prices. The amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt (see Note 6).

As of June 30, 2022 and 2021, the Fund has also reported deferred inflows of resources of $9,519,662 and $7,923,725, 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 and OPEB benefit plans in Notes 8 and 9.

As discussed in Note 2K, the Fund recognized deferred inflows of resources relating to its lease revenues. As of June 30, 2022 and 2021, such deferred inflows of resources amounted to $351,990,851 and $358,710,365, respectively.

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

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 related debt, site evaluation and development costs and liabilities for related revenue bonds.

**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 governmental fund.

**Capital Projects Fund:** The Capital Projects Fund represents amounts restricted by bond resolution for spending on capital projects. As of June 30, 2022 and 2021, Capital Projects funds amounted to $119,730,878 and $151,182,386, respectively, and consisted of proceeds from the 2021 Series B Revenue Bonds that are restricted for the Khalil Gibran International Academy/80 Flatbush project.

**Debt Service Fund:** The Debt Service Funds consists mainly of accounts for each debt issuance. Amounts on deposit in the Debt Service Funds are used for the payment of debt service on the Fund's bonds.

The Debt Service Reserve Funds are required to maintain a balance equal to the maximum annual debt service on the bonds. As of June 30, 2022 and 2021, the balances in the Debt Service Reserve Funds totaled $30,455,163 and $31,183,744, respectively, to meet the required minimum.

The Debt Service Fund is funded by specific proceeds from the Revenue Bonds. 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.

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

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.

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 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 June 15, 2021 and were adopted in the current year. The adoption of GASB 87 had no effect on the beginning net position as reported for the year ended June 30, 2021 but required the recognition of the following components as of July 1, 2020 (the adoption date):

| | |
|---|---|
| Leases receivable | $ 365,429,876 |
| Deferred inflow of resources - leases | (365,429,876) |
| Effect on July 1, 2020 net position | $ - |

GASB 87 requires the Fund's financial statements to be adjusted retrospectively for the earliest period presented. Certain balances reported as of and for the year ended June 30, 2021, have been restated to conform to the requirements of GASB 87 and the following line items have been restated:

**Statement of Net Position:**

| | As Previously Reported | As Restated | Adjustment |
|---|---|---|---|
| Leases receivable | $ - | $ 360,271,462 | $ 360,271,462 |
| Deferred inflows of resources - leases | $ - | $ 358,710,365 | $ 358,710,365 |
| Net position | $ 92,933,601 | $ 94,494,698 | $ 1,561,097 |

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

**Statement of Activities:**

| | As Previously Reported | As Restated | Adjustment |
|---|---|---|---|
| Rental income and tax equivalency payments, net of refunds | $ 33,605,521 | $ 35,004,644 | $ 1,399,123 |
| Interest - leases | $ - | $ 161,974 | $ 161,974 |
| Total operating revenues | $ 34,125,538 | $ 35,686,635 | $ 1,561,097 |
| Operating income | $ 13,697,826 | $ 15,258,923 | $ 1,561,097 |
| Change in total net position | $ 13,697,826 | $ 15,258,923 | $ 1,561,097 |

**Governmental Funds - Balance Sheet - General Fund**

| | As Previously Reported | As Restated | Adjustment |
|---|---|---|---|
| Leases receivable | $ - | $ 360,271,462 | $ 360,271,462 |
| Deferred inflows of resources - leases | $ - | $ 358,710,365 | $ 358,710,365 |
| Fund balance | $ 24,494,934 | $ 26,056,031 | $ 1,561,097 |

**Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund**

| | As Previously Reported | As Restated | Adjustment |
|---|---|---|---|
| Rental income and tax equivalency payments, net of refunds | $ 33,605,521 | $ 35,004,644 | $ 1,399,123 |
| Interest - leases | $ - | $ 161,974 | $ 161,974 |
| Total revenues | $ 33,625,675 | $ 35,186,772 | $ 1,561,097 |
| Excess of revenues over expenditures | $ 31,728,738 | $ 33,289,835 | $ 1,561,097 |
| Net change in fund balances | $ 6,009,010 | $ 7,570,107 | $ 1,561,097 |

- GASB Statement No. 91, *Conduit Debt Obligations*, ("GASB 91") is effective for 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. The adoption of GASB 91 did not have an impact on the Fund's financial statements.

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

- GASB Statement No. 92, *Omnibus*, ("GASB 92") is effective for fiscal years beginning after June 15, 2021, as amended. This statement addresses comparability and consistency in accounting and financial reporting related to a variety of GASB Statements including: *Leases, Other Postemployment Benefit Plans, Pensions, Fiduciary Activities, Asset Retirement Obligations, Public Entity Risk Pools, Fair Value Measurements, and Derivative Instruments*. The adoption of GASB 92 did not have a significant impact on the Fund's financial statements.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, ("GASB 93") is effective for fiscal years beginning after June 15, 2021, as amended. The effective date of this Statement was further amended by GASB Statement No. 99. The objective of this statement is to address those and other accounting and financial reporting implications from the replacement of the interbank offered rate ("IBOR"). The adoption of GASB 93 had no impact on the Fund's financial statements.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements ("Arrangements")* ("GASB 94"), is effective for fiscal years beginning after June 15, 2022. Arrangements in which a government contracts with an operator to provide public services by conveying the right to operate or use a nonfinancial asset for a period of time is considered a Public-Private or Public-Public Partnership. Arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating a nonfinancial asset is considered an Availability Payment Arrangement ("APA"). The accounting for Public-Private or Public-Public Partnerships is defined in GASB 94 and will vary depending on whether the arrangement meets the definition of a service concession arrangement. APAs where ownership transfers by the end of the contract will be accounted for as a financed purchase of that underlying asset. The Fund has not completed their evaluation of GASB 94.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, ("GASB 96") is effective for fiscal years beginning after June 15, 2022. Similar to the principles used in GASB 87, GASB 96 provides the guidance for accounting and financial reporting for subscription-based information technology arrangements or "SBITAs". The Statement defines SBITAs as a contract that conveys control of the right to use another party's information technology software, either alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The accounting will result in the recognition of a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. GASB 96 also provides guidance for other costs that are not subscription payments, such as implementation costs, and requires certain note disclosures regarding SBITAs. The Fund has not completed their evaluation of GASB 96.

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

- 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"). GASB 97 has multiple effective dates depending on specific paragraphs of the standard. Paragraph 4 of the Statement, which pertains to defined contribution pension and OPEB plans, is effective immediately. Paragraphs 6 through 9 of the Statement, which pertain to the supersession of GASB 32, are effective for fiscal years beginning after June 15, 2021, and the remaining requirements of the Statement are effective for reporting periods beginning after June 15, 2021. Paragraph 4 of the Statement requires that when determining whether the primary government is financially accountable as a potential component unit the absence of a governing board should be treated the same as appointing the voting majority if the primary government performed the duties a governing board would typically perform, except when considering a defined contribution pension or OPEB plans. Paragraphs 6 through 9 define the reporting rules for a Section 457 plan requiring that GASB 84 be applied to determine if the plan is a fiduciary activity, and then further if the plan meets the definition of a pension plan, then reporting requirements of GASB 68 or 73 should be applied (instead of those in GASB 84). GASB 97 also explains that the financial burden criteria in GASB 84 is applicable only to defined benefit pension plans and defined benefit OPEB plans administered through a trust. The Fund has not completed their evaluation of GASB 97, but does not anticipate any material impact.

- GASB Statement No. 99, *Omnibus 2022,* has multiple effective dates depending on the Statement of the standard. This Statement addresses numerous accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Fund has not completed their evaluation of GASB 99 but does not anticipate any material impact.

- GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* ("GASB 100"), has been issued to help enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. GASB 100 defines accounting changes, addresses corrections of errors in previously issued financial statements, and prescribes accounting and financial reporting for both. GASB 100 also addresses how information that is affected by a change in accounting or error correction should be presented in the required supplementary information explaining that the information should be restated for error corrections but not for changes in accounting principles. The requirements of GASB 100 are effective for fiscal years beginning after June 15, 2023. The Fund has not completed their evaluation of GASB 100 but does not anticipate any material impact.

- GASB Statement No. 101, *Compensated Absences* ("GASB 101"), has been issued to align the recognition and measurement guidance of compensated absences. GASB 101 requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled otherwise. GASB 101 also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023. The Fund has not completed their evaluation of GASB 101 but does not anticipate any material impact.

## 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, 2022 and 2021, uninsured bank balances of approximately $2,700,000 and $4,600,000, 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, 2022 and 2021 were $203,825,978 ($36,591,528 unrestricted and $167,234,450 restricted) and $229,336,323 ($32,293,226 unrestricted and $197,043,097 restricted), respectively. Investments consisted primarily of U.S. treasury bills and notes and U.S. government agency securities.

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

| | 2022 | 2021 |
|---|---|---|
| Insured | $ 119,642 | $ 393,254 |
| Collateralized: | | |
| Bank of NY Investment Surplus | 28,763,150 | 16,242,346 |
| Chase Investment Administrative | 734,700 | 2,034,519 |
| Bank of NY - Cash Surplus | 4,912,429 | 11,219,007 |
| Bank of NY Debt Service 2010A | 5,919,854 | 5,814,462 |
| Bank of NY Debt Service Reserve 2010A | 3,946,764 | 3,946,178 |
| Bank of NY Debt Service 2018A | 5,137,490 | 3,585,676 |
| Bank of NY Debt Service Reserve 2018A | 5,622,365 | 5,622,392 |
| Bank of NY Debt Service 2021A | 7,881,876 | 8,046,438 |
| Bank of NY Debt Service Reserve 2021A | 5,883,879 | 5,797,156 |
| Bank of NY 2021A - COI Cash | 54,609 | 54,609 |
| Bank of NY Debt Service 2021B | 5,918,736 | 4,769,292 |
| Bank of NY Debt Service Reserve 2021B | 7,120,279 | 7,771,580 |
| Bank of NY 2021B - COI Cash | 17,720 | 452,928 |
| Bank of NY 2021B Construction Investment | 119,730,878 | 151,182,386 |
| Chase Investment 96th Street | 2,061,607 | 2,404,100 |
| Total Deposits | $ 203,825,978 | $ 229,336,323 |

**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.

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

**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, 2022 and 2021, 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, 2022 and 2021, all investment maturities were less than one year, except for a U.S. Treasury note held at June 30, 2021 which matures in June 2026.

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

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| U.S. Government securities | $ 115,574,218 | $ 115,658,560 | $ 152,570,274 | $ 152,754,334 |
| U.S. Government agency obligations | 885,203 | 904,986 | 36,022,882 | 35,954,390 |
| Cash | 50,775,029 | 50,775,029 | 8,449,941 | 8,449,941 |
| Total restricted investments | $ 167,234,450 | $ 167,338,575 | $ 197,043,097 | $ 197,158,665 |

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, 2022 and 2021:

- U.S. Treasury securities of approximately $76,200,000 and $0, respectively, were valued using quoted market prices (Level 1 inputs).

## NOTE 4 – LEASES RECEIVABLE

The Fund is reporting lease receivables of $355,034,285 and $360,271,462 at June 30, 2022 and 2021, respectively. The leases receivable were discounted to present value using the Fund's estimated borrowing rate of 3.14% at the time of the adoption of GASB 87 (July 1, 2020). All the Fund's leases relate to the various properties under management as described in Note 5. The lease terms vary and are specific to each of the individual tenants.

## NOTE 4 – LEASES RECEIVABLE (Continued)

Future rental payments due to the Fund under non-cancelable agreement are as follows for the years ending June 30:

| Fiscal Years | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 5,381,892 | $ 523,060 | $ 5,904,952 |
| 2024 | 5,456,633 | 718,314 | 6,174,947 |
| 2025 | 5,724,141 | 956,928 | 6,681,069 |
| 2026 | 5,624,901 | 1,146,487 | 6,771,388 |
| 2027 | 5,612,971 | 1,356,227 | 6,969,198 |
| 2028-2032 | 28,270,516 | 10,299,999 | 38,570,515 |
| 2033-2037 | 39,315,068 | 23,750,115 | 63,065,183 |
| 2038-2042 | 40,461,076 | 34,431,990 | 74,893,066 |
| 2043-2047 | 34,244,773 | 40,008,173 | 74,252,946 |
| 2048-2052 | 28,888,451 | 43,925,392 | 72,813,843 |
| 2053-2057 | 23,975,641 | 46,714,593 | 70,690,234 |
| 2058-2062 | 23,113,169 | 56,828,346 | 79,941,515 |
| 2063-2067 | 23,305,014 | 70,297,121 | 93,602,135 |
| 2068-2072 | 20,078,510 | 74,047,179 | 94,125,689 |
| 2073-2077 | 19,156,602 | 86,148,037 | 105,304,639 |
| 2078-2082 | 19,082,453 | 102,783,796 | 121,866,249 |
| 2083-2087 | 16,458,496 | 106,223,435 | 122,681,931 |
| 2088-2092 | 6,407,702 | 47,172,828 | 53,580,530 |
| 2093-2097 | 784,223 | 7,194,513 | 7,978,736 |
| 2098-2102 | 778,921 | 8,470,625 | 9,249,546 |
| 2103-2107 | 773,644 | 9,949,116 | 10,722,760 |
| 2108-2112 | 768,407 | 11,662,210 | 12,430,617 |
| 2113-2117 | 763,208 | 13,647,278 | 14,410,486 |
| 2118-2121 | 607,873 | 12,581,851 | 13,189,724 |
| | $ 355,034,285 | $ 810,837,613 | $ 1,165,871,898 |

## NOTE 5 – CAPITAL ASSETS

The City conveyed land to the Fund at no cost for the development of eighteen schools. The land for fifteen 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, except for the 80 Flatbush schools, are completed, in use, and classified as school buildings. Of the eighteen 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 2011A Series Bonds were refunded by the 2021A Series Bonds. In June 2021, ECF issued $118.4 million in 2021B Series Bonds for the construction of the school portion of the 80 Flatbush project.

**NOTE 5 – CAPITAL ASSETS (Continued)**

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 through 2054. 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.

In July 2021, the Fund began construction of the 80 Flatbush project which includes a new Khalil Gibran High School and a new K-5 school in downtown Brooklyn. Construction is progressing, and the Fund is on track to reach substantial completion by spring/summer 2024, with the school opening in fall 2024. Construction in progress costs amounted to approximately $42.5 million and $8.4 million, respectively, as of June 30, 2022 and 2021, with a total budget of $153 million.

A summary of the changes in capital assets is as follows for the years ended June 30:

| | June 30, 2021 | Additions | Deletions | June 30, 2022 |
|---|---|---|---|---|
| Nondepreciable: | | | | |
| Construction in progress | $ 8,417,289 | $ 34,102,001 | $ - | $ 42,519,290 |
| Depreciable: | | | | |
| School buildings, at cost | $ 400,732,577 | $ - | $ - | $ 400,732,577 |
| Less: accumulated depreciation | 171,691,381 | 6,306,125 | - | 177,997,506 |
| School buildings, net | $ 229,041,196 | $ (6,306,125) | $ - | $ 222,735,071 |

| | June 30, 2020 | Additions | Deletions | June 30, 2021 |
|---|---|---|---|---|
| Nondepreciable: | | | | |
| Construction in progress | $ - | $ 8,417,289 | $ - | $ 8,417,289 |
| Depreciable: | | | | |
| School buildings, at cost | $ 400,732,577 | $ - | $ - | $ 400,732,577 |
| Less: accumulated depreciation | 164,893,100 | 6,798,281 | - | 171,691,381 |
| School buildings, net | $ 235,839,477 | $ (6,798,281) | $ - | $ 229,041,196 |

Depreciation expense for the years ended June 30, 2022 and 2021 was $6,306,125 and $6,798,281, 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.

**NOTE 6 – REVENUE BONDS (Continued)**

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 5.7% to 8.7% from 2013 through 2021. For 2022, the sequestration rate reduction was 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.

During fiscal year 2019, as a result of the refunding of the 2007A Bonds, 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, 2022 and 2021, the deferred gain on refunding, net of accumulated amortization, amounted to $1,560,352 and $1,759,772, respectively.

On March 23, 2021, the Fund issued the Revenue Bonds 2021, Series A ("2021A Bonds") in the amount of $97,855,000, the proceeds of which were used to refund the 2011A Bonds, originally issued in the aggregate principal amount of $137,525,000. The 2021A Bonds bear interest from 4.00% to 5.00% with annual maturities from April 1, 2022 through April 2041. This refunding was undertaken to reduce total debt service payments over the next twenty (20) years by $63,155,443 and resulted in an economic gain (difference between the present value of the debt service on the 2011A Bonds and the 2021A Bonds) of $54,143,519.

During fiscal year 2021, as a result of the refunding of the 2011A Bonds, the Fund recognized a deferred outflow of resources of $1,291,662 for the deferred loss 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, 2022 and 2021, the deferred loss on refunding, net of accumulated amortization, amounted to $1,079,140 and $1,183,780, respectively.

On June 11, 2021, the Fund issued the Revenue Bonds, 2021 Series B Bond ("2021B Bonds") in the amount of $118,410,000 to finance the construction of the Khalil Gibran International Academy/80 Flatbush project. The 2021B Bonds were issued pursuant to the Act and the Resolution 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 2021B Bonds, all as described herein. The 2021B Bonds bear interest at 5.00% with annual maturities from April 1, 2024 through April 2052.

**NOTE 6 – REVENUE BONDS (Continued)**

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, 2022:

| | June 30, 2021 | Additions | Deletions | June 30, 2022 |
|---|---|---|---|---|
| 2010A Bonds | $ 46,165,000 | $ - | $ 1,685,000 | $ 44,480,000 |
| 2018A Bonds | 39,560,000 | - | 220,000 | 39,340,000 |
| 2021A Bonds | 97,855,000 | - | 2,940,000 | 94,915,000 |
| 2021B Bonds | 118,410,000 | - | - | 118,410,000 |
| | 301,990,000 | - | 4,845,000 | 297,145,000 |
| Less/add: unamortized bond (discount) premium | 59,155,257 | - | 3,394,837 | 55,760,420 |
| | 361,145,257 | - | 8,239,837 | 352,905,420 |
| Less: current portion | (4,845,000) | - | 2,005,000 | (6,850,000) |
| Long-term portion | $ 356,300,257 | $ - | $ 10,244,837 | $ 346,055,420 |

The following is a summary of changes in bonds payable for the year ended June 30, 2021:

| | June 30, 2020 | Additions | Deletions | June 30, 2021 |
|---|---|---|---|---|
| 2010A Bonds | $ 47,795,000 | $ - | $ 1,630,000 | $ 46,165,000 |
| 2011A Bonds | 125,945,000 | - | 125,945,000 | - |
| 2018A Bonds | 39,775,000 | - | 215,000 | 39,560,000 |
| 2021A Bonds | - | 97,855,000 | - | 97,855,000 |
| 2021B Bonds | - | 118,410,000 | - | 118,410,000 |
| | 213,515,000 | 216,265,000 | 127,790,000 | 301,990,000 |
| Less/add: unamortized bond (discount) premium | 3,144,293 | 55,926,807 | (84,157) | 59,155,257 |
| | 216,659,293 | 272,191,807 | 127,705,843 | 361,145,257 |
| Less: current portion | (5,030,000) | - | (185,000) | (4,845,000) |
| Long-term portion | $ 211,629,293 | $ 272,191,807 | $ 127,520,843 | $ 356,300,257 |

As of June 30, 2022 and 2021, the Fund recorded accrued interest on revenue bonds of $3,641,689 and $3,174,574, respectively, representing interest for the periods from April 1 to June 30, 2022 and 2021 due to be paid in October 2023 and 2022, respectively.

## NOTE 6 – REVENUE BONDS (Continued)

Debt service requirements on bond indebtedness at June 30, 2022 were as follows:

| | 2010A Bonds | | |
|---|---|---|---|
| Fiscal Years | Principal | Interest | Total |
| 2023 | $ 1,745,000 | $ 2,633,955 | $ 4,378,955 |
| 2024 | 1,805,000 | 2,544,960 | 4,349,960 |
| 2025 | 1,875,000 | 2,450,198 | 4,325,198 |
| 2026 | 1,945,000 | 2,347,073 | 4,292,073 |
| 2027 | 2,020,000 | 2,238,153 | 4,258,153 |
| 2028-2032 | 11,410,000 | 9,353,333 | 20,763,333 |
| 2033-2037 | 13,905,000 | 5,652,320 | 19,557,320 |
| 2038-2041 | 9,775,000 | 1,228,220 | 11,003,220 |
| | $ 44,480,000 | $ 28,448,212 | $ 72,928,212 |

| | 2018A Bonds | | | 2021A Bonds | | |
|---|---|---|---|---|---|---|
| Fiscal Years | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | $ 1,925,000 | $ 1,815,350 | $ 3,740,350 | $ 3,180,000 | $ 4,196,950 | $ 7,376,950 |
| 2024 | 2,000,000 | 1,738,350 | 3,738,350 | 3,340,000 | 4,037,950 | 7,377,950 |
| 2025 | 2,075,000 | 1,658,350 | 3,733,350 | 3,510,000 | 3,870,950 | 7,380,950 |
| 2026 | 2,160,000 | 1,575,350 | 3,735,350 | 3,690,000 | 3,695,450 | 7,385,450 |
| 2027 | 2,245,000 | 1,488,950 | 3,733,950 | 3,865,000 | 3,510,950 | 7,375,950 |
| 2028-2032 | 12,745,000 | 5,945,150 | 18,690,150 | 22,450,000 | 14,452,750 | 36,902,750 |
| 2033-2037 | 16,190,000 | 2,506,750 | 18,696,750 | 28,095,000 | 8,816,800 | 36,911,800 |
| 2038-2041 | - | - | - | 26,785,000 | 2,731,200 | 29,516,200 |
| | $ 39,340,000 | $ 16,728,250 | $ 56,068,250 | $ 94,915,000 | $ 45,313,000 | $ 140,228,000 |

| | 2021B Bonds | | | Total | | |
|---|---|---|---|---|---|---|
| Fiscal Years | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | $ - | $ 5,920,500 | $ 5,920,500 | $ 6,850,000 | $ 14,566,755 | $ 21,416,755 |
| 2024 | 1,070,000 | 5,920,500 | 6,990,500 | 8,215,000 | 14,241,760 | 22,456,760 |
| 2025 | 1,130,000 | 5,867,000 | 6,997,000 | 8,590,000 | 13,846,498 | 22,436,498 |
| 2026 | 2,125,000 | 5,810,500 | 7,935,500 | 9,920,000 | 13,428,373 | 23,348,373 |
| 2027 | 2,230,000 | 5,704,250 | 7,934,250 | 10,360,000 | 12,942,303 | 23,302,303 |
| 2028-2032 | 12,955,000 | 26,731,500 | 39,686,500 | 59,560,000 | 56,482,733 | 116,042,733 |
| 2033-2037 | 16,525,000 | 23,153,000 | 39,678,000 | 74,715,000 | 40,128,870 | 114,843,870 |
| 2038-2042 | 21,095,000 | 18,587,250 | 39,682,250 | 57,655,000 | 22,546,670 | 80,201,670 |
| 2043-2047 | 26,915,000 | 12,759,750 | 39,674,750 | 26,915,000 | 12,759,750 | 39,674,750 |
| 2048-2052 | 34,365,000 | 5,322,250 | 39,687,250 | 34,365,000 | 5,322,250 | 39,687,250 |
| | $ 118,410,000 | $ 115,776,500 | $ 234,186,500 | $ 297,145,000 | $ 206,265,962 | $ 503,410,962 |

## NOTE 7 – NET POSITION

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

| | 2022 | (As Restated) 2021 |
|---|---|---|
| Invested in capital assets, net of related debt | | |
| Capital assets, net and site evaluation and development costs | $ 266,845,797 | $ 239,031,449 |
| Less: Revenue bonds payable, net | (352,905,420) | (361,145,257) |
| Invested in capital assets, net of related debt | $ (86,059,623) | $ (122,113,808) |
| Restricted for capital projects | | |
| Restricted assets | $ 119,730,878 | $ 151,182,386 |
| Less: Current liabilities paid from capital projects funds: | | |
| Accrued expenses | (3,937,360) | (519,870) |
| | $ 115,793,518 | $ 150,662,516 |
| Restricted for debt service | | |
| Restricted assets | $ 47,503,572 | $ 45,860,711 |
| Less: Current liabilities paid from debt service funds: | | |
| Accrued interest on revenue bonds | (3,641,689) | (3,174,574) |
| Accrued expenses | - | (452,928) |
| | $ 43,861,883 | $ 42,233,209 |
| Unrestricted | $ 28,669,132 | $ 23,712,781 |

## 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.

### 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.

**NOTE 8 – PENSION PLAN (Continued)**

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, 2022 and 2021 were $65,892 and $56,917, respectively. The total pension expense for the fiscal years ended June 30, 2022 and 2021 was $(3,371) and $20,206, respectively.

As of June 30, 2022 and 2021, the Fund's proportionate share of ERS amounted to 0.0013745% and 0.0014027%, respectively.

**ACTUARIAL ASSUMPTIONS**

The total pension liability for the March 31, 2022 and 2021 valuation dates were determined by using actuarial valuations as of April 1, 2021 and 2020, with update procedures used to roll forward the total pension liability to March 31, 2022 and 2021. The actuarial valuations used the following actuarial assumptions:

| | April 1, 2021 | April 1, 2020 |
|---|---|---|
| Inflation | 2.7% | 2.7% |
| Salary increases | 4.4% | 4.4% |
| Investment rate of return (net of investment expense, including inflation) | 5.9% | 5.9% |
| Cost of living adjustments | 1.4% | 1.4% |

Annuitant mortality rates for the April 1, 2021 valuation were based on the April 1, 2015 through March 31, 2020 System experience with adjustments for mortality improvements using the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2020 used the same assumptions to measure the total pension liability.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 through March 31, 2020.

**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 5.9%, 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 (4.9%) or one percentage point higher (6.9%) than the current rate as of June 30, 2022:

| | 1% Decrease (4.9%) | Current Discount Rate (5.9%) | 1% Increase (6.9%) |
|---|---|---|---|
| Employer's proportionate share of net pension liability (asset) | $ 289,215 | $ (112,361) | $ (448,260) |

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 5.9%, 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 (4.9%) or one percentage point higher (6.9%) than the current rate as of June 30, 2021:

| | 1% Decrease (4.9%) | Current Discount Rate (5.9%) | 1% Increase (6.9%) |
|---|---|---|---|
| Employer's proportionate share of net pension liability (asset) | $ 387,677 | $ 1,397 | $ (354,844) |

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

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

| | 2022 | 2021 |
|---|---|---|
| Differences between expected and actual experience | $ 8,509 | $ 17,058 |
| Changes of assumptions | 187,518 | 256,813 |
| Net difference between projected and actual investment earnings on pension plan investments | - | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,921 | - |
| Employer contributions subsequent to the measurement date | 2,491 | 2,573 |
| | $ 201,439 | $ 276,444 |

**NOTE 8 – PENSION PLAN (Continued)**

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

| | 2022 | 2021 |
|---|---|---|
| Differences between expected and actual experience | $ 11,037 | $ - |
| Changes of assumptions | 3,164 | 4,844 |
| Net difference between projected and actual investment earnings on pension plan investments | 367,934 | 401,221 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 14,699 | 21,197 |
| | $ 396,834 | $ 427,262 |

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:

| | |
|---|---|
| 2023 | $ 31,976 |
| 2024 | 45,373 |
| 2025 | 98,226 |
| 2026 | 19,820 |

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, 2022 and 2021 actuarial valuations are summarized in the following table:

| | **March 31, 2022** | | **March 31, 2021** | |
|---|---|---|---|---|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | Target Allocation | Long-Term Expected Real Rate of Return |
| Domestic Equity | 32 % | 3.30 % | 32 % | 4.05 |
| International Equity | 15 | 5.85 | 15 | 6.30 |
| Private Equity | 10 | 6.50 | 10 | 6.75 |
| Real Estate | 9 | 5.00 | 9 | 4.95 |
| Opportunistic/Absolute Return Strateg | 3 | 4.10 | 3 | 4.50 |
| Credit | 4 | 3.78 | 4 | 3.63 |
| Real Assets | 3 | 5.80 | 3 | 5.95 |
| Fixed Income | 23 | - | 23 | - |
| Cash | 1 | (1.00) | 1 | 0.50 |
| | 100 % | | 100 % | |

## NOTE 8 – PENSION PLAN (Continued)

The discount rates used to calculate the total pension liability was 5.9% as of both June 30, 2022 and 2021. 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 (in thousands):

| | 2022 | 2021 |
|---|---|---|
| Total pension liability | $ 223,874,888 | $ 220,680,157 |
| Fiduciary net position | (232,049,473) | (220,580,583) |
| Employers' net pension liability | $ (8,174,585) | $ 99,574 |
| ERS fiduciary net position as a percentage of total pension liability | 103.65% | 99.95% |

## 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, 2022 and 2021, 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, 2022 and 2021, the Fund's OPEB expense was ($61,305) and ($209,355), respectively, and the Fund made $40,716 and $41,763 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, 2022 was determined by using an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total OPEB liability to June 30, 2022. 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 | 4.09% - 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 6.50 percent initially, reduced by decrements to a rate of 4.5 percent after 8 years. |

The OPEB liability as of June 30, 2021 was determined by using an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total OPEB liability to June 30, 2021. 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 | 2.18% - 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, 2022 would change based on changes in the discount rate and healthcare cost trend rate:

| | 1% Decrease | Current Rate | 1% Increase |
|---|---|---|---|
| Discount rate | $ 1,626,510 | $ 1,410,649 | $ 1,236,810 |
| Healthcare cost trend rate | 1,217,251 | 1,410,649 | 1,650,991 |

The following shows how net OPEB liability at June 30, 2021 would change based on changes in the discount rate and healthcare cost trend rate:

| | 1% Decrease | Current Rate | 1% Increase |
|---|---|---|---|
| Discount rate | $ 2,131,936 | $ 1,802,605 | $ 1,544,960 |
| Healthcare cost trend rate | 1,522,908 | 1,802,605 | 2,158,991 |

**CHANGES IN TOTAL OPEB LIABILITY AND ADDITIONAL INFORMATION**

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

| | 2022 | 2021 |
|---|---|---|
| Total OPEB liability - beginning of year | $ 1,802,605 | $ 2,049,922 |
| Changes in net OPEB liability: | | |
| Service cost | 64,120 | 67,125 |
| Interest | 40,253 | 55,762 |
| Differences between expected and actual experience | 4,582 | (36,015) |
| Changes in assumptions | (460,195) | (292,426) |
| Benefit payments | (40,716) | (41,763) |
| Total OPEB liability - end of year | $ 1,410,649 | $ 1,802,605 |

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 4.09% and 2.18% were applied to June 30, 2022 and 2021, respectively.

Balances of deferred outflows/inflows of resources related to OPEB were as follows at June 30, 2022:

| | Outflows | Inflows |
|---|---|---|
| Differences between expected and actual experience | $ 2,916 | $ - |
| Changes of assumptions | - | 292,851 |
| | $ 2,916 | $ 292,851 |

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Balances of deferred outflows/inflows of resources related to OPEB were as follows at June 30, 2021:

| | Outflows | Inflows |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Changes of assumptions | - | - |
| | $ - | $ - |

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

| | |
|---|---|
| 2023 | $ (165,678) |
| 2024 | (124,257) |

**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, 2022 and 2021, 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, 2022, 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.

**NOTE 11 – ARBITRAGE REBATE PROGRAM**

To maintain the exemption from federal income tax of interest on the Fund's tax-exempt debt, the Fund will fund amounts required to be rebated to the federal government pursuant to Section 148 of the IRC. The IRC requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, or within 60 days after retirement of the bonds. For the years ended June 30, 2022 and 2021, no arbitrage rebate payments were required.

## NOTE 12 – DISTRIBUTION TO NEW YORK CITY DEPARTMENT OF EDUCATION

In July 2021, the Fund and its developer, Alloy LLC, closed on their project for the construction of the Khalil Gibran High School, new elementary school, and residential and commercial buildings. Construction of the project is estimated to be complete 2024-2027. During the City approval process, the project did not receive the total square footage needed to meet the student seat need obligations. As such, for the July 2021 closing, the Fund provided a $10 million contribution to maintain the area needed to construct the school.

**NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND**
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**
**SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (1)**
**AS OF JUNE 30,**

**New York State and Local Employees' Retirement System**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| The Fund's proportion of the net pension liability (asset) | 0.0013745% | 0.0014027% | 0.0015142% | 0.0015569% | 0.0016074% | 0.0016502% | 0.20710% |
| The Fund's proportionate share of the net pension liability (asset) | $ (112,361) | $ 1,397 | $ 400,977 | $ 110,313 | $ 51,877 | $ 155,053 | $ 332,440 |
| The Fund's covered payroll | $ 365,595 | $ 330,402 | $ 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 payroll | -30.73% | 0.42% | 137.58% | 38.39% | 18.71% | 56.79% | 127.05% |
| Plan fiduciary net position as a percentage of the total pension liability | 103.65% | 99.95% | 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 (1)**
**FOR THE YEARS ENDED JUNE 30,**

**New York State and Local Retirement System**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| The Fund's actuarially determined contribution (2) | $ 65,892 | $ 56,917 | $ 54,934 | $ 52,582 | $ 53,039 | $ 64,406 | $ 88,712 |
| The Fund's contribution in relation to the actuarially determined contribution (3) | 65,892 | 56,917 | 54,934 | 52,582 | 53,039 | 64,406 | 88,712 |
| The Fund's covered payroll (4) | 365,595 | 330,402 | 291,441 | 287,333 | 277,315 | 273,033 | 261,656 |
| The Fund's contribution as a percentage of covered payroll | 18.02% | 17.23% | 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 (1)**
**FOR THE YEARS ENDED JUNE 30,**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Total OPEB liability - beginning of year (2) | $ 1,802,605 | $ 2,049,922 | $ 2,150,915 | $ 3,879,030 | $ 3,541,815 | $ 1,747,963 | $ 1,953,942 |
| Changes in total OPEB liability: | | | | | | | |
| Service cost | 64,120 | 67,125 | 69,235 | 77,208 | 78,627 | 76,223 | 92,498 |
| Interest | 40,253 | 55,762 | 61,223 | 117,136 | 113,500 | 108,370 | 54,890 |
| Differences between expected and actual experience | 4,582 | (36,015) | (54,387) | (1,824,770) | 37,345 | 2,178,629 | 20,054 |
| Changes in assumptions (3) | (460,195) | (292,426) | (44,437) | (46,326) | 166,200 | (509,720) | (311,118) |
| Benefit payments | (40,716) | (41,763) | (51,900) | (51,363) | (58,457) | (59,650) | (62,303) |
| Other changes | - | - | (80,727) | - | - | - | - |
| Net change in total OPEB liability | (391,956) | (247,317) | (100,993) | (1,728,115) | 337,215 | 1,793,852 | (205,979) |
| Total OPEB liability - end of year (2) | $ 1,410,649 | $ 1,802,605 | $ 2,049,922 | $ 2,150,915 | $ 3,879,030 | $ 3,541,815 | $ 1,747,963 |
| Covered payroll (4) | $ - | $ - | $ - | $ - | $ - | $ - | $ 483,451 |
| Total OPEB liability as a percentage of covered 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:

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| 4.09% | 2.18% | 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 year 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.