New York City Economic Development Corporation

(a component unit of the City of New York)

Financial Statements, Required Supplementary Information, and Supplementary Information

Year Ended June 30, 2022 With Reports of Independent Auditors

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Financial Statements, Required Supplementary Information, and Supplementary Information

Year Ended June 30, 2022

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I. Financial Section

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Report of Independent Auditors

The Management and the Board of Directors
New York City Economic Development Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the New York City Economic Development Corporation (the Corporation), 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 Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Corporation as of June 30, 2022, and the respective changes in its financial position, and, where applicable, cash flows thereof 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) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other 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.

Adoption of GASB Statement No. 87, Leases

As discussed in Note 2 to the financial statements, as of July 1, 2021 the Corporation adopted new accounting guidance for leases as a result of the adoption of GASB 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 of 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 Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, we:

- Exercise 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 Corporation'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 Corporation'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, the schedule of changes in net OPEB liability, the schedule of investment returns and the schedule of OPEB contributions, as listed in the table of contents, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The combining schedule of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of revenues, expenses, and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ernst & Young LLP

October 3, 2022

This section of New York City Economic Development Corporation's (NYCEDC or the Corporation) annual financial report presents our discussion and analysis of NYCEDC's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2022 Financial Highlights

Net position was $642.2 million at June 30, 2022:

- Cash, cash equivalents and investments increased $72.7 million (or 17%)
- Due from the City, net, increased $55.0 million (or 60%)
- Capital assets, net, decreased $22.6 million (or 7%)
- Loans receivables and mortgage receivables, net of allowance for uncollectible amounts, increased $23.6 million (or 102%)
- Other receivables increased $16.3 million (or 95%)
- Account payable and accrued expenses decreased $8.6 million (or 4%)
- Other liabilities increased $9.9 million (or 50%)

Change in net position is $95.7 million for the fiscal year ended June 30, 2022:

- Grant revenues increased $234.5 million (or 36%)
- Property rental, lease and interest revenue increased $38.4 million (or 19%)
- Other income increased $35.0 million (or 64%)
- Project costs increased $51.8 million (or 46%)
- Program costs increased $121.0 million (or 22%)
- Ferry related expenses, net increased $12.8 million (or 39%)
- Other general expenses decreased $14.6 million (or 38%)

Overview of the Basic Financial Statements

This annual financial report consists of four parts: *management's discussion and analysis (this section), basic financial statements and footnote disclosures, required supplementary information*, *and supplementary information*. NYCEDC is organized under the not-for-profit corporation law of the State of New York. NYCEDC is also a discretely presented component unit of the City of New York (the City). NYCEDC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Corporation.

While detailed sub-fund information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that NYCEDC is properly performing its contractual obligations.

Financial Analysis of the Corporation

Condensed Statements of Net Position

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 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.

As a result of adopting this pronouncement as of July 1, 2021, the Corporation recognized lease receivables, deferred inflows of resources, lease liabilities and right to use lease assets on the statement of net position based on the present value of future lease obligations and receivables.

Financial Analysis of the Corporation (continued)

The following table summarizes NYCEDC's financial position at June 30, 2022 and 2021 (dollars in thousands) and the percentage changes between June 30, 2022 and 2021:

	2022	2021	% Change 2022–2021
Current assets	**$ 767,188**	$ 526,794	46%
Non-current assets	**3,254,098**	698,502	366%
Total assets	**4,021,286**	1,225,296	228%
Deferred outflows of resources	**5,884**	2,961	99%
Current liabilities	**311,342**	279,131	12%
Non-current liabilities	**660,076**	394,098	67%
Total liabilities	**971,418**	673,229	44%
Deferred inflows of resources	**2,413,586**	8,564	28,083%
Net position:			
Restricted	**118,753**	87,647	35%
Unrestricted	**273,534**	146,405	87%
Net investment in capital assets	**249,879**	312,412	(20)%
Total net position	**$ 642,166**	$ 546,464	18%

The Corporation's total assets increased by $2.8 billion or 228% during fiscal year 2022. Cash, cash equivalents, and investments increased by $72.7 million mainly due to income generated from the partial sale of the leasehold interest at Kaufman Astoria Studios amounting to $26.3 million and the transfer of development rights at the Brooklyn properties of 69 Adams Street and Atlantic Yards totaling of $22.5 million. A net increase in Due from/to the City of $55.0 million is primarily a result of a $45.0 million receivable generated from City and Federal grants to offset the costs of NYC Ferry and $6.2 million of receivables for personnel services costs. The reimbursements primarily relate to prior year costs incurred, during and in response to COVID-19. Loan and mortgage receivables increased by $23.6 million mainly due to the establishment of a hospital loan program with a bank lender that facilitated funding to address the needs of certain City hospitals caused by COVID-19 and emerging variants. As a result of the adoption of GASB 87, $2.4 billion of leases receivable was recognized for the present value of future lease amounts due to the Corporation from tenants and $243.1 million of right to use lease assets were recognized for the present value of future lease obligations owed for office space, Pier 11/12, vehicles and equipment.

Financial Analysis of the Corporation (continued)

The Corporation's total liabilities increased by $298.2 million or 44%. As a result of the implementation of GASB 87, lease liabilities increased by $283.1 million to offset the right to use assets recognized. Additionally, $24.2 million of notes payable, including interest, were executed and due to a bank lender relating to the hospital loan program.

The Corporation's deferred inflows of resources increased by $2.4 billion or 28,083% as a result of the adoption of GASB 87 which required the recognition of deferred inflows of resources to offset future leases receivables.

The Corporation's overall net position during fiscal year 2022 increased by $95.7 million, or 18%, as a result of the fiscal year operating activities. This increase consisted of a $31.1 million increase in restricted net position, $127.1 million increase in unrestricted net position, offset by a $62.5 million reduction in net investment in capital assets.

Operating Activities

NYCEDC is the City's primary engine for economic development and is charged with leveraging the City's assets to drive growth, create jobs, and improve the overall quality of life within the City. Through its various divisions, NYCEDC provides a variety of services to eligible businesses that want to become more competitive, more productive and more profitable. In order to provide these services, NYCEDC primarily generates revenues from property rentals and real estate sales.

Financial Analysis of the Corporation (continued)

The following table summarizes NYCEDC's change in net position for the fiscal years ended June 30, 2022 and 2021 (dollars in thousands) and the percentage changes between fiscal year 2022 and 2021:

	2022	2021	% Change 2022–2021
Operating revenues:			
Grants	**$ 886,928**	$ 652,456	36%
Real estate sales, net and property rentals and lease revenues	**180,831**	202,292	(11)%
Fees and other income	**99,625**	67,550	47%
Total operating revenues	**1,167,384**	922,298	27%
Operating expenses:			
Project and program costs	**835,356**	662,592	26%
Property rentals and related operating expenses	**88,663**	86,397	3%
Ferry related expenses, net	**45,292**	32,518	39%
Personnel services	**67,908**	70,195	(3)%
Contract and other expenses to the City	**26,923**	28,767	(6)%
Other expenses	**58,569**	67,750	(14)%
Total operating expenses	**1,122,711**	948,219	18%
Operating income (loss)	**44,673**	(25,921)	272%
Total non-operating (loss) income	**51,029**	77	66,171%
Change in net position before capital contributions	**95,702**	(25,844)	470%
Capital contributions	**–**	8,061	(100)%
Change in net position	**95,702**	(17,783)	638%
Total net position, beginning of fiscal year	**546,464**	564,247	(3)%
Total net position, end of fiscal year	**$ 642,166**	$ 546,464	18%

Financial Analysis of the Corporation (continued)

During fiscal year 2022, operating revenues increased by $245.1 million, or 27%. The increase in operating revenues is largely due to the increase in reimbursable grants of $234.5 million, real estate sales, property rental, lease and interest revenue of $33.4 million and other income of $35.0 million. The increase in reimbursable grants is primarily due to the following programs: $99.4 million for the COVID-19 vaccine incentive program, $56.0 million for NYC Green Infrastructure, $50.4 million for Manhattan Greenway, $39.3 million for NYC Ferry capital infrastructure, and $20.7 million for Wildlife Conservation. Additionally, $15.0 million of City tax levy funding and $30.0 million in federal relief funds were allocated to the Corporation during the fiscal year for NYC Ferry operations. These revenue increases were offset by a decrease of $34.2 million in other COVID-19 response expenses and a decrease of $14.6 million relating to the Queens Small Business Grant Program. Property rental, lease and interest revenue increased by $38.4 million mainly due to the following: $9.5 million more in permit revenues received mainly from the Coney Island Amusement operator and from the Bathgate Industrial Campus, $8.0 million of pass-through PILOT income received for a site in the 42nd Street Development Project district, $5.1 million received as a site acquisition payment for 11 Metro Tech in downtown Brooklyn and $4.1 million earned in wharfage and dockage revenues from the cruise terminals. The increase in other income of $35.0 million is driven by the transfer of development rights at 69 Adams Street and Atlantic Yards in Brooklyn which generated $17.8 million and $5.3 million, respectively, and the partial sale of a leasehold interest at Kaufman Astoria Studios of $26.2 million.

Operating expenses during fiscal year 2022 increased by $174.5 million, or 18%. The increase in reimbursable project costs of $51.8 million and increase in program costs of $121.0 million were primarily due to the costs incurred for the aforementioned projects for vaccine incentives, green infrastructure, and Manhattan Greenway. The increase of $12.8 million in ferry related expenses is due to the result of ferry services continuing to return to pre-pandemic levels. Other expenses decreased by $9.2 million primarily due to pandemic-driven tenant bad debt expense recognized in fiscal year 2021, not continuing in fiscal year 2022.

Non-Operating Activities

Total non-operating revenues for fiscal year 2022 totaled $51.0 million, primarily made up of interest revenues earned on leases recognized in accordance with the requirements of GASB 87. Prior to the adoption of this standard, all property rental and lease revenues recognized were classified as operating income.

Financial Analysis of the Corporation (continued)

Net Position

The Corporation's net operating income of $44.7 million and non-operating revenue of $51.0 million, resulted in an increase in net position of $95.7 million during fiscal year 2022. This constitutes an increase of $121.5 million, or 470%, as compared with the change in fiscal year 2021.

Capital Assets and Right to Use Lease

The following table summarizes NYCEDC's capital and right to use lease assets for the fiscal years ended June 30, 2022 and 2021, (dollars in thousands) and the percentage change between June 30, 2022 and 2021:

Capital Assets	**2022**	**2021**	**% Change 2022–2021**
Leasehold improvements	**$ 92,100**	$ 84,253	9%
Equipment and computer software	**21,443**	20,180	6%
Vessels	**239,045**	239,045	–%
Work-in progress – other	**376**	13,912	(97)%
	352,964	357,390	(1)%
Less accumulated depreciation and amortization	**(63,135)**	(44,978)	40%
Net capital assets	**$ 289,829**	$ 312,412	(7)%
Right to Use Lease Assets			
Vehicles and equipment	**$ 564**	$ –	– %
Office space	**181,737**	–	–
Pier 11/12	**73,166**	–	–
	255,467	–	–
Less accumulated depreciation and amortization	**(12,331)**	–	–
Net right to use lease assets	**$ 243,136**	–	–

Financial Analysis of the Corporation (continued)

Additional information about NYCEDC's capital and right to use lease assets are presented in Note 9 to the financial statements.

Contacting NYCEDC's Financial Management

This financial report is designed to provide NYCEDC's customers, clients and the public with a general overview of the Corporation's finances and to demonstrate NYCEDC's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer of New York City Economic Development Corporation, One Liberty Plaza, New York, NY 10006, or visit NYCEDC's website at: http://edc.nyc/contact-us.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statement of Net Position
(In Thousands)

June 30, 2022

Assets	
Current assets:	
Cash and cash equivalents – current	$ 54,780
Restricted cash and cash equivalents – current	132,705
Unrestricted investments	40,096
Restricted investments	26,400
Current portion of loans and mortgage notes receivable	4,409
Due from the City, including $229,189 under contracts with the City	312,504
Tenant receivables, net of allowance for uncollectible amounts of $49,934	11,352
Current portion of leases receivable	148,795
Prepaid expenses and other current assets	2,702
Other receivables	33,445
Total current assets	767,188
Non-current assets:	
Restricted cash and cash equivalents	153,273
Unrestricted investments	47,989
Restricted investments	36,509
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of $8,879)	42,317
Leases receivable, less current portion	2,292,977
Right to use lease assets, net	243,136
Capital assets, net	289,829
OPEB asset	2,188
Land held for development, at cost	132,387
Other assets	13,493
Total non-current assets	3,254,098
Total assets	4,021,286
Deferred outflows of resources	
Deferred outflows of resources – OPEB	5,884
Total deferred outflows of resources	5,884

See accompanying notes.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statement of Net Position (continued)
(In Thousands)

June 30, 2022

Liabilities	
Current liabilities:	
Accounts payable and accrued expenses, including $134,153 under contracts with the City	$ 210,725
Current portion of lease liabilities	13,548
Deposits received on pending sales of real estate	5,469
Due to the City: real estate obligations and other	40,787
Unearned revenue	36,660
Other liabilities	4,153
Total current liabilities	311,342
Non-current liabilities:	
Tenant security and escrow deposits payable	47,659
Due to the City: real estate obligations	125,021
Lease liabilities, less current portion	269,538
Unearned revenue, including unearned grant revenue of $4,960 under contracts with the City	114,546
Retainage payable	77,486
Other liabilities	25,826
Total non-current liabilities	660,076
Total liabilities	971,418
Deferred inflows of resources	
Deferred inflows of resources – leases	2,394,266
Deferred inflows of resources – OPEB	8,840
Accumulated increase in fair value of hedging derivatives	10,480
Total deferred inflows of resources	2,413,586
Net position:	
Restricted by law or under various agreements	118,753
Unrestricted	273,534
Net investment in capital assets	249,879
Total net position	$ 642,166

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statement of Revenues, Expenses, and Changes in Net Position
(In Thousands)

Year Ended June 30, 2022

Operating revenues:	
Grants	$ 886,928
Property rentals and lease revenue	180,831
Fee income	10,324
Other income	89,301
Total operating revenues	1,167,384
Operating expenses:	
Project costs	164,825
Program costs	670,531
Property rentals and related operating expenses	88,663
Ferry related expenses, net	45,292
Personnel services	67,908
Contract and other expenses to the City	26,923
Interest expenses – leases	4,232
Depreciation and amortization	30,301
Other general expenses	24,036
Total operating expenses	1,122,711
Operating income	44,673
Non-operating revenues (losses):	
Loss from investments	(1,855)
Interest revenue – leases	54,858
Other non-operating expense	(1,974)
Total non-operating revenues, net	51,029
Change in net position	95,702
Net position, beginning of fiscal year	546,464
Net position, end of fiscal year	$ 642,166

See accompanying notes.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statement of Cash Flow
(In Thousands)

Year Ended June 30, 2022

Cash flows from operating activities		
Property rentals and related leasing revenue	$	249,713
Grants from the City		832,200
Fee income		10,337
Other income		86,496
Project costs		(149,999)
Program costs		(676,127)
Property rentals and related operating expenses		(90,678)
Ferry expenses		(38,388)
Personnel services		(68,516)
Office rent		(11,708)
Contract and other expenses to the City		(26,923)
Other general and administrative expenses		(29,653)
Repayments of loans and mortgage receivable		(24,452)
Tenant security and escrow deposits		5,165
Other		7,261
Net cash provided by operating activities		74,728
Cash flows from capital and related financing activities		
Purchase of capital assets		(131)
Net cash used in capital and related financing activities		(131)
Cash flows from investing activities		
Sale of investments		129,101
Purchase of investments		(155,354)
Net cash used in investing activities		(26,253)
Net increase in cash and cash equivalents		48,344
Cash and cash equivalents, beginning of fiscal year		292,414
Cash and cash equivalents, end of fiscal year	$	340,758

Statement of Cash Flow (continued)

(In Thousands)

Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 44,673
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	30,301
Provision for bad debts	16,523
Interest revenue – leases	54,858
Other	(2,502)
Changes in operating assets, liabilities and deferred inflow/outflow of resources:	
Due to/from the City	(54,953)
Other non-current assets	(4,105)
Tenant receivables	(19,763)
Prepaid expenses and other receivables	(8,914)
Loans and mortgage notes receivable	(23,579)
Tenant security and escrow deposits payable	5,165
Accounts payable and accrued expenses	(8,646)
Deposits received on pending sales of real estate	(3,281)
Net OPEB liability	2,869
Unearned grant revenue	10,632
Deferred inflows of resources	2,137
Retainage payable	7,904
Other current liabilities	1,359
Other non-current liabilities	24,050
Net cash provided by operating activities	$ 74,728
Supplemental disclosures of noncash activities	
Unrealized gain on investments	$ (2,357)

See accompanying notes.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statement of Fiduciary Net Position

(In Thousands)

OPEB Trust

Year Ended June 30, 2022

Assets		
Cash and cash equivalents	$	76
Investments:		
Mutual funds		20,119
Total investments		20,119
Total assets		20,195
Liabilities		
Accrued expenses		70
Due to NYCEDC		184
Total liabilities		254
Net position – restricted for OPEB	$	19,941

See accompanying notes.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statement of Changes in Fiduciary Net Position
(In Thousands)

OPEB Trust

Year Ended June 30, 2022

Additions	
Interest and dividends	$ 686
Total additions	686
Deductions	
Benefit payments	408
Administrative expenses	116
Net decrease in fair value of investments	4,156
Total deductions	4,680
Net decrease in fiduciary net position	(3,994)
Net position – restricted for OPEB	
Beginning of fiscal year	23,935
End of fiscal year	$ 19,941

See accompanying notes.

1. Background and Organization

The accompanying financial statements include the assets, liabilities, net position and the financial activities of the New York City Economic Development Corporation (NYCEDC or the Corporation) and its blended component units (Note 16).

NYCEDC is a not-for-profit corporation organized under the New York State Not-for-Profit Corporation Law (the NPCL) that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). NYCEDC's primary activities consist of rendering a variety of services to administer certain economic development programs on behalf of the City of New York (the City) relating to the attraction, retention and expansion of commerce and industry in the City. These services and programs include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within the City, the provision of financial assistance to qualifying business enterprises as a means of helping to create and retain employment therein, managing, developing and promoting the City's waterfront, markets, aviation, freight and intermodal transportation, including the NYC Ferry system, and workforce development and recruitment programs. These services are generally provided under two annual contracts with the City: the amended and restated contract (Master Contract) and the Maritime Contract. The services provided under these contracts and other related agreements with the City are herein referred to as the Contract Services.

In order to provide these services, NYCEDC primarily generates revenues from property rentals and real estate sales. To present the financial position and the changes in financial position of NYCEDC's rental portfolio in a manner consistent with the limitations and restrictions placed upon the use of resources and NYCEDC's contractual agreements with the City and other third parties, NYCEDC classifies its asset management operations into the following five portfolios:

Commercial Leases Portfolio: NYCEDC manages property leases with various commercial and industrial tenants. For ground leases, these agreements include restrictions on the use of the land to the construction or development of commercial, manufacturing, industrial or residential facilities. The City-owned properties are leased to NYCEDC, which, in turn subleases the properties to commercial and industrial tenants. The leases generally provide for base rent payments plus provisions for additional rent.

1. Background and Organization

Brooklyn Army Terminal Portfolio: The Brooklyn Army Terminal (BAT) is an industrial property owned by the City that is leased to NYCEDC. NYCEDC, in turn, subleases the properties to commercial and industrial tenants. Under the terms of the BAT lease, a reserve account of $500,000 was established from net BAT revenues for property operating and capital expenses.

Maritime Portfolio: This portfolio was established to account for NYCEDC's management and maintenance of wharf, waterfront, public market, public aviation, and intermodal transportation properties and the NYC Ferry system on the City's behalf pursuant to the Maritime Contract.

Other Properties Portfolio: This portfolio was established to account for the activities of certain City-owned properties and other assets for which NYCEDC assumed management responsibilities. Pursuant to various agreements between NYCEDC and the City, the net revenue from three of the properties is retained for property operating and capital expenses or for expenses of projects in the area.

42nd Street Development Project Portfolio: This portfolio was established as a joint effort between the City and New York State (the State) to redevelop the 42nd Street district between 7^{th} and 8^{th} Avenues into a vibrant office and cultural center. By October 2012, ownership of all the properties was transferred from the State to the City. NYCEDC also assumed management and administrative responsibilities for all leases in connection with the 42nd Street Development Project as governed by the Master Contract with the City.

Beginning in fiscal year 2017, to partially offset the costs to NYCEDC for establishing and operating the NYC Ferry service (Note 12), the Corporation has not been required to remit rental revenues from the Project to the City. NYCEDC, however, is required to pass through to the City, all payments in lieu of taxes and real estate taxes collected from the Project.

Further discussion of these portfolios and the Corporation's implementation of GASB 87, *Leases,* is included in "Impact of New Accounting Standards Adopted" section of Note 2.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

NYCEDC follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. In its accounting and financial reporting, the Corporation follows the pronouncements of the Governmental Accounting Standards Board (GASB).

Upcoming Accounting Pronouncements

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Paragraphs 4, 5, 11 and 13 were effective immediately upon issuance of GASB 92 and did not have a significant impact to NYCEDC's financial statements. Provisions of this Statement, other than those stated in paragraphs 4, 5, 11 and 13, are effective for fiscal years beginning after June 15, 2021. The adoption of this standard did not have a significant impact on the Corporation's financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Provisions of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Corporation is evaluating the impact this standard will have on its financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. This standard is not expected to have a significant impact on the Corporation's financial statements.

2. Summary of Significant Accounting Policies (continued)

In June 2020, GASB issued 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 Supersession of GASB Statement No. 32* (GASB 97). The primary objective of this Statement is to enhance the relevance, consistency, and comparability of the accounting and financial reporting for IRC Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Corporation evaluated the impact of this standard in conjunction with the adoption of GASB Statement No. 84 and this standard did not have a significant impact on the Corporation's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain paragraphs of this statement were effective immediately and did not have a significant impact on the Corporation's financial statements. The remaining requirements of this statement are effective for fiscal years beginning after June 15, 2022 and beyond. The Corporation is evaluating the impact this statement will have on its financial statements.

Impact of New Accounting Standards Adopted

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 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.

2. Summary of Significant Accounting Policies (continued)

As discussed in Note 1, while the Corporation classifies its asset management operations into five portfolios, the Corporation evaluated whether each arrangement within each portfolio would be considered a lease within the scope of GASB 87. NYCEDC is contracted by the City to manage and maintain properties on behalf of the City, including certain City-owned properties that are leased to NYCEDC and City-owned properties that are leased to private parties. In the case of properties leased to the Corporation, NYCEDC, in turn, subleases the properties to commercial and industrial tenants.

In accordance with GASB 87, as the Corporation (1) acts as either the property manager/lease administrator for the City or (2) the nominal rents remitted to the City are deemed non-exchange for the City-owned property, there is no lessor-lessee relationship between the City and NYCEDC recognized in the accompanying financial statements. However, for those City-owned properties that are leased to NYCEDC, NYCEDC's subleases to commercial and industrial tenants are considered leases under GASB 87 and these lessor relationships are recognized as leases receivable (Note 11).

As a result of adopting this pronouncement as of July 1, 2021, the Corporation recognized lease receivables and deferred inflows of resources related to its lessor arrangements, as described in Note 11, as well as lease liabilities and right to use lease assets related to its various lessee arrangements as discussed in Note 13. The lease receivables and lease liabilities as recorded in the statement of net position were based on the present value of future payments. Within the statement of revenues, expenses and changes in net position, the right to use lease assets and deferred inflow of resources were recognized on a straight-line basis as amortization expense and lease revenues, respectively, over the life of the leases. The interest portion of cash payments received towards lease receivables and paid on lease liabilities are recognized as interest revenue and expense, respectively, based on rates implicit in the leases or the incremental borrowing rate.

2. Summary of Significant Accounting Policies (continued)

Revenue and Expense Classification

NYCEDC distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing the Contract Services to the City in connection with NYCEDC's principal ongoing operations. The principal operating revenues are grants from and through the City, rentals of City-owned property, and sales of property (see Real Estate Sales under this Note). NYCEDC's operating expenses include project and program costs, property maintenance charges, and general administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is NYCEDC's policy to use restricted resources first and then unrestricted resources as needed.

Grants

NYCEDC administers certain reimbursement and other grant funds from and through the City under its contracts with the City.

A reimbursement grant is a grant awarded for a specifically defined project and is generally administered such that NYCEDC is reimbursed for any qualified expenditures associated with such projects.

NYCEDC records reimbursement grants from and through the City as revenue when the related program costs are incurred. Differences between the program costs incurred on specific projects and the related receipts are reflected as due from the City or as a part of unearned revenue in the accompanying statements of net position.

Other grants are recorded as revenue when earned.

2. Summary of Significant Accounting Policies (continued)

Property Rental and Lease Revenues

Property rental and lease revenues include amounts earned for additional performance or usage-based rent, other variable rents, pass-through rents and short-term lease revenue. It also includes amortization of the deferred inflows of resources recognized, in accordance with GASB 87, on a straight-line basis over the remaining term of the leases.

Real Estate Sales

Proceeds from sales of City-owned properties, other than proceeds in the form of a promissory note from the purchaser in favor of NYCEDC, are recognized as income at the time of closing of the sale. For property sales in which NYCEDC accepts a long-term promissory note from a purchaser in lieu of cash, in addition to the note receivable, the corresponding unearned revenue is recorded at the time of closing. Due to collectability risks associated with these promissory notes, such unearned revenue is amortized into income ratably as payments are made.

Deposits received from prospective purchasers prior to closing are included in the accompanying statements of net position as deposits received on pending sales of real estate.

Deferred Outflows and Inflow of Resources

The Corporation reports deferred outflows of resources in the Statement of Net Position in a separate section following Assets and deferred inflows of resources in a separate section following Liabilities. Changes in fair value in connection with fuel hedging for NYC Ferry are recorded as either a deferred outflow (loss) or as a deferred inflow (gain) of resources. The net differences between projected and actual earnings on OPEB plan investments, changes in assumptions for OPEB, and differences in expected and actual experience for OPEB are recorded as either a deferred outflow or as a deferred inflow. The offset to the present value of future tenant lease payments (leases receivable) are recognized as deferred inflow of resources and is amortized on a straight-line basis over the remaining term of the leases.

Retainage Payable

Retainage payable is treated as non-current due to the long-term nature of the related contracts.

2. Summary of Significant Accounting Policies (continued)

Loans and Mortgage Notes Receivable

Loans to finance the acquisition of land and buildings are generally repayable over a 15 to 25 year period. Generally, all such loans for acquisition are secured by second mortgages or other security interests and carry below market interest rates. NYCEDC has also provided loans to City businesses to advance certain economic development objectives.

NYCEDC provides an allowance for loan losses based on an analysis of a number of factors, including the value of the related collateral. Based on established procedures, NYCEDC writes off the balances of those loans determined by management to be uncollectible.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and on hand, money market funds, money market deposit accounts, applicable certificates of deposit, and highly liquid debt instruments with original maturities of three months or less. Cash equivalents are stated at fair value, other than certificates of deposit, which are valued at cost.

Investments

Investments held by NYCEDC are recorded at fair value.

Restricted Cash and Investments

Restricted cash and investments include amounts related to operations or programs administered on behalf of the City, and, accordingly, such amounts are not available for use by NYCEDC for general corporate purposes.

Capital Assets

Assets purchased for internal use by NYCEDC in excess of $10,000 are capitalized and consist primarily of vessels operating under the NYC Ferry system, leasehold improvements and equipment. Vessels are depreciated over a useful life of 25 years. Leasehold improvements are depreciated using the straight-line method over the shorter of the life of the lease or the estimated useful life assigned. Accordingly, leasehold improvements have useful lives from 7 to 20 years.

2. Summary of Significant Accounting Policies (continued)

The Corporation also uses the straight-line method for depreciating or amortizing furniture and equipment over the estimated useful life assigned. The useful life of furniture and equipment varies from three to five years.

Disbursements made by NYCEDC on behalf of the City for, among other things, capital projects, tenant build-out reimbursements, and leasing commissions in connection with rental operations are reflected as expenses in the year they are incurred.

Right to Use Lease Assets

Right to use assets are recorded to offset lease liabilities and adjusted as necessary for payments made to the lessor at or before the time of commencement of the lease and minus any lease incentives from the lessor. The Corporation uses the straight-line method for amortizing these assets over the remaining terms of the leases.

Tax Status

The currently reported income of NYCEDC qualifies for exclusion from gross income for federal income tax purposes under IRC Section 115.

Net Position

In order to present the financial condition and operating results of NYCEDC in a manner consistent with the limitations and restrictions placed upon the use of resources, NYCEDC classifies its net position into three categories: restricted net position, unrestricted net position and net investment in capital assets. The restricted net position includes net position that has been restricted in use in accordance with the terms of an award or agreement (other than the net position generally available for City program activities under the Master Contract and the Maritime Contract) or by law.

Net investment in capital assets includes capital assets net of accumulated depreciation used in NYCEDC's operations. The unrestricted net position includes all net position not included above.

The Master Contract and the Maritime Contract limit the use of all unrestricted net position to City program activities except for unrestricted net position resulting from income self-generated by NYCEDC.

2. Summary of Significant Accounting Policies (continued)

Fiduciary Fund Statements

The statement of fiduciary net position and the statement of changes in fiduciary net position provide information on the Corporation's fiduciary activities in its Other Post-Employment Benefits Trust Fund, which reports resources that are required to be held in trust for members and beneficiaries of the Corporation's OPEB plan.

3. Contracts With the City of New York

NYCEDC Master Contract

The City and NYCEDC have entered into the Master Contract, under which the Corporation has been retained to perform various services primarily related to the retention and expansion of industrial and commercial development within the City, including, among other activities: (1) facilitating commercial and industrial development projects; (2) stabilizing and improving industrial areas; (3) administering public loan, grant, and subsidy programs; (4) encouraging development of intrastate, interstate and international commerce; (5) managing and maintaining certain City owned -properties; and (6) workforce development and recruitment programs.

In partial consideration of the services rendered by NYCEDC pursuant to the Master Contract, the Corporation may retain (1) net revenues from the sale or lease of City-owned properties and (2) certain interest and other related income received by NYCEDC for financing programs administered on behalf of the City, up to a cap. Income self-generated by NYCEDC, including interest on all cash accounts related to unrestricted operations and certain fees for services, may be retained by NYCEDC under the Master Contract without regard to the contract cap.

Pursuant to section 11.05 of the Master Contract, at any time upon written request of the Mayor of the City or the Mayor's designee, NYCEDC must remit to the City assets having a fair market value up to the amount, if any, by which the Corporation's unrestricted net position exceeds $7 million. At the direction of the City, NYCEDC remitted $3.2 million from its unrestricted net position in fiscal year 2022, which is accounted for under contract and other expenses to the City in the statement of revenues, expenses, and changes in net position.

3. Contracts With the City of New York (continued)

The term of the Master Contract is one year commencing on July 1 and may be extended by the City for up to one year. The City may terminate this contract at its sole discretion upon 90 days' written notice. Upon termination of this contract, NYCEDC must remit to the City all program funds or other assets subject to certain prescribed limitations.

Maritime Contract

The City and NYCEDC have entered into the Maritime Contract under which the Corporation has been retained to perform various services primarily related to the retention and expansion of waterfront, intermodal transportation, market, freight and aviation development and commerce.

The services provided under this contract include (1) retaining maritime business and attracting maritime business to the City; (2) managing, developing, maintaining, and promoting the City's waterfront, markets, aviation, freight and intermodal transportation, including the NYC Ferry system; and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

In the performance of its services under the Maritime Contract, NYCEDC collects monies, including, but not limited to, rents and other revenues from tenants of certain City-owned properties managed by NYCEDC in connection with its maritime program. In consideration of the services rendered by the Corporation pursuant to the Maritime Contract, the City has agreed to pay NYCEDC for all costs incurred in the furtherance of the City's objectives under this contract, to the extent such costs have been provided for in the City-approved budget (the Budget) as called for by the Maritime Contract. Any reimbursable expenses, as defined in the Maritime Contract, may be retained by NYCEDC out of the net revenues generated on the City's behalf, to the extent such expenses are not provided for in the Budget (the Reimbursed Amount). Net revenues generated on the City's behalf for services under the Maritime Contract in excess of the Reimbursed Amount must be remitted to the City on a periodic basis. Historically, at the direction of the City, NYCEDC was required to remit \$16.7 million for each fiscal year pursuant to the Maritime Contract, and such amounts were included in contract and other expenses to the City. Beginning in fiscal year 2017, to partially offset the cost of establishing and operating the NYC Ferry service (Note 12), this amount was not required to be remitted to the City.

3. Contracts With the City of New York (continued)

Pursuant to section 9.06 of the Maritime Contract, at any time upon written request of the Mayor of the City or the Mayor's designee, NYCEDC must remit to the City assets having a fair market value up to the amount, if any, by which NYCEDC's maritime net position exceeds $7 million.

The term of the Maritime Contract is one year commencing on July 1 and may be extended by the City for up to one year. The City may terminate this contract at its sole discretion upon 90 days' written notice. Upon termination of this contract, NYCEDC must remit to the City all program funds or other assets subject to certain prescribed limits.

Other Agreements

In addition, NYCEDC remits to the City certain amounts collected from the 42nd Street Development Project. The amount remitted from this source for fiscal year 2022 was $23.7 million (Note 1).

4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2022, grant revenue was $886.9 million, of which $853.3 million comprised of reimbursement grants from and through the City, and the remaining $33.6 million was provided by other sources.

5. Land Held for Development and Real Estate Obligations Due to the City

NYCEDC may purchase land to help achieve the City's and the Corporation's redevelopment goals. In fiscal year 2022, the land held for development totaled $132.4 million. Several acquisitions were obtained using capital funds from the City, and these amounts are reflected as real estate obligations due to the City on the statement of net position. As of June 30, 2022, real estate obligations due to the City was $125.0 million.

5. Land Held for Development and Real Estate Obligations Due to the City (continued)

The following table summarizes land held for development and real estate obligations due to the City for the fiscal year ended June 30, 2022 (dollars in thousands):

225 125th Street, B1790, L12	$	1,972
2309–2313 3rd Avenue, B1790, L3, 49		858
236 East 126th Street, B1790 L31		183
246 E. 127th Street, B1791, L25		4,300
Springfield Gardens, Queens, B13432, L57		53
Land held for development		7,366
Boardwalk, Coney Island		105,345
1047 Home Street, Bronx, B3006, L21		800
1051 Home Street, Bronx, B3006, L19		1,200
1057 Home Street, Bronx, B3006, L17		500
1174 Longfellow Avenue, Bronx, B2758, L14		4,000
3050 W. 21st Street, Brooklyn, B7071, L123		13,176
Due to the City: real estate obligations		125,021
Total land held for development	$	132,387

6. Other Income

The following table summarizes other income for the fiscal year ended June 30, 2022 (dollars in thousands):

Tenant reimbursements	$	11,284
Developer contributions		3,499
Recovery income		6,802
Sale of leasehold interest		26,289
Transfer of development rights		22,528
Funding agreement repayment		4,500
Tenant-liquidated damages		2,245
Other miscellaneous income		12,154
Total	$	89,301

7. Loans and Mortgage Notes Receivable

NYCEDC has received installment notes from purchasers of certain real property sold by the Corporation following NYCEDC's purchase of such property from the City. The installment notes are secured by separate purchase money mortgages on the properties sold. At June 30, 2022, these mortgage notes totaled $7.3 million exclusive of any interest receivable.

NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with its corporate mission and contractual obligations with the City. These loans were made to borrowers whose business operations are likely to generate employment, increase tax revenue, improve the physical environment of areas, stabilize neighborhoods, or provide other benefits to the City. Collectively, the installment notes and loans form the Finance Programs.

During fiscal year 2022, NYCEDC facilitated a hospital loan fund to address the needs of hospitals in the City caused by the COVID-19 pandemic and related variants. At June 30, 2022, there were eight outstanding loans, which mature on December 29, 2023, bear interest at 1.85% and are managed through one loan servicer. The outstanding principal, as of June 30, 2022, totaled $24 million, exclusive of any interest receivable. Loan repayments from this program are used to pay back the offsetting notes payable, bearing interest at 1.6%, due to the bank lender, the originator of the funds to source the loans. The outstanding notes payable balance, recorded on the Corporation's statement of net position as non-current other liabilities, is due on December 31, 2024 and has accrued interest of approximately $208,000 as of June 30, 2022.

At June 30, 2022, the loan and mortgage notes portfolio consisted of 23 loans that bear interest at rates ranging from 0% to 8% and mature at various dates through October 1, 2046.

The eight hospital loans represented approximately 43% of the loan portfolio balance. Of the remaining loans, the three largest loans represent approximately an additional 34% of the loan portfolio balance. The composition of the entire portfolio, by industry type, at June 30, 2022, was as follows: real estate development 13%, hospitals 43% and other services 43%.

7. Loans and Mortgage Notes Receivable (continued)

Scheduled maturities of principal for these loans for the next five years and thereafter are as follows (dollars in thousands):

	Principal Maturity	Interest
Fiscal year		
2023	$ 4,409	$ 491
2024	24,749	341
2025	603	462
2026	393	324
2027	10,917	317
2028–32	2,114	1,471
2033–37	2,207	1,200
2038–42	8,471	554
2043–47	1,742	97
	55,605	$ 5,257
Allowance for uncollectible amounts	(8,879)	
Loans and mortgage notes receivable, net	$ 46,726	

8. Due to/From the City of New York

NYCEDC is required to remit portions of certain amounts to the City under the Master Contract (Note 3). The unremitted portion of such amounts at June 30, 2022, amounted to $40.8 million.

Pursuant to the Master Contract with the City, NYCEDC recorded total grants from and through the City in the amount of $853.3 million during fiscal year 2022, of which $229.2 million in capital funds were unpaid by the City. These unpaid amounts are included in the accompanying statement of net position as due from the City.

9. Capital and Right to Use Lease Assets

Changes in lease and capital assets for the year ending June 30, 2022, consisted of the following (dollars in thousands):

Capital Assets	**June 30, 2021**	**Additions/ Depreciation**	**Disposals**	**June 30, 2022**
Equipment	$ 17,670	$ 1,310	$ (47)	**$ 18,933**
Leasehold improvements	84,253	10,534	(2,687)	**92,100**
Vessels	239,045	–	–	**239,045**
Computer software	2,510	–	–	**2,510**
Work-in-progress – other	13,912	(11,714)	(1,822)	**376**
Capital assets	357,390	130	(4,556)	**352,964**
Less: Accumulated depreciation/amortization	(44,978)	(19,491)	1,334	**(63,135)**
Capital assets, net	$ 312,412	$ (19,361)	$ (3,222)	**$ 289,829**

9. Capital and Right to Use Lease Assets

Right to Use (RTU) Lease Assets	July 1, 2021	Additions/ Depreciation	Disposals	June 30, 2022
Vehicles and equipment	$ 564	$ –	$ –	**$ 564**
Office space	181,737	–	–	**181,737**
Pier 11/12	73,166	–	–	**73,166**
RTU lease assets	255,467	–	–	**255,467**
Less: Accumulated amortization	–	(12,331)	–	**(12,331)**
RTU lease assets, net	$ 255,467	$ (12,331)	$ –	**$ 243,136**

Depreciation and amortization of capital assets and right to use lease assets for the fiscal year ended June 30, 2022, totaled $31.8 million, of which $1.5 million was reclassed to ferry related expenses.

10. Deposits and Investments

Deposits

At year-end, NYCEDC's cash and cash equivalents bank balance was $340.8 million, of which $12.8 million was FDIC insured. Of the remaining balance, $177.1 million was invested in money market funds. Emergency funds on hand amounted to $10,000 at June 30, 2022.

Investments

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations issued by an agency or instrumentality of the United States of America. Other permitted investments include short-term commercial paper, certificates of deposit and bankers' acceptances.

10. Deposits and Investments (continued)

As of June 30, the Corporation had the following investments. Investments maturities are shown for June 30, 2022, only (dollars in thousands):

	Fair Value	Investment Maturities at June 30, 2022, in Years		
	2022	Less Than 1	1 to 2	Greater than 2
Money market mutual funds	$ 176,772	$ 176,772	$ –	$ –
Money market deposit account	360	360	–	–
FHLB notes	56,722	7,450	24,056	25,216
Commercial paper	32,427	32,427	–	–
FFCB notes	66,604	31,378	35,226	–
Certificates of deposit	201	201	–	–
	333,086	$ 248,588	$ 59,282	$ 25,216
Less amount classified as cash equivalents	(182,092)			
Total investments	$ 150,994			

Fair Value Measurements – Fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

Money market funds, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. U.S. Treasury and agency securities and commercial paper, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

10. Deposits and Investments (continued)

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Corporation limits 80% of its investments to instruments maturing within two years of the date of purchase. The remaining 20% of the portfolio may be invested in instruments with maturities up to a maximum of seven years.

Credit Risk – It is the Corporation's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the U.S. government or issued by its agencies. As of June 30, 2022, the Corporation's investments in Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and U.S. Treasuries were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Commercial papers held were rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investor's Service, Inc.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the Corporation and are held by the counterparty, the counterparty's trust department or agent.

The Corporation manages custodial credit risk by limiting possession of its investments to highly rated institutions and/or requiring that high-quality collateral be held by the counterparty in the name of NYCEDC. At June 30, 2022, the Corporation was not subject to custodial credit risk.

10. Deposits and Investments (continued)

Concentration of Credit Risk – The Corporation places no limit on the amount NYCEDC may invest in any securities backed by the United States of America government. The following table shows investments that represent 5% or more of total investments as of June 30, 2022 (dollars in thousands):

Issuer	Dollar Amount and Percentage of Total Investments June 30, 2022	
Federal Farm Credit Bank	$ 66,604	20.0%
Federal Home Loan Bank	56,722	17.0

Investment Income

Investment income includes unrealized gains and losses on investments as well as interest earned on bank accounts, certificates of deposit and securities. Investment loss amounted to $1.9 million for the fiscal year ended June 30, 2022.

11. Leases Receivable

As described further in Note 2, lease receivables relate to NYCEDC subleases of City-owned properties to commercial and industrial tenants. All managed leases generally provide for base rents plus provisions for additional rent. Certain agreements also provide for renewals at the end of the initial lease term for periods ranging from 10 to 50 years.

11. Leases Receivable (continued)

Upon implementation of GASB 87 as of July 1, 2021, the Corporation recognized and measured the lease receivable at the present value of the lease payments expected to be received during the applicable lease, using an applicable discount rate stated or implicit in the lease, less any provisions for uncollectible amounts. The Corporation also recognized a deferred inflow of resources at the amount of the lease receivable, including any lease payments received from the lessee before commencement related to future periods and less any lease incentives.

The future minimum lease payments as of June 30, 2022, payable by the tenants under leases and subleases, is as follows (dollars in thousands):

	Total Minimum Payments
2023	$ 148,795
2024	146,623
2025	142,172
2026	138,446
2027	134,731
2028–2032	798,490
2033–2037	707,072
2038–2042	684,627
2043–2047	675,333
2048–2052	680,280
Thereafter	4,263,025
Total	8,519,594
Less: Present value adjustment	(6,077,822)
Leases receivable	$ 2,441,772

The present value of minimum lease payments shown above is comprised of current and long-term amounts shown in the statement of net position. The thereafter category includes 47 leases with expiration dates between July 1, 2054 and December 31, 2100.

12. NYC Ferry System

In 2016, NYCEDC contracted with HNY Ferry, LLC (HNY) for the provision of ferry services under the new NYC Ferry system. The system is currently made up of five routes and a seasonal shuttle that were designed to meet the transportation needs of neighborhoods traditionally underserved by public transportation. HNY assumed operational responsibility for the then-existing East River Ferry route in December 2016 to incorporate that route into the NYC Ferry system. The initial NYC Ferry routes began operations between 2017 and 2018.

The net cost of these operations, which excludes capital costs, as of June 30, 2022, was $45.3 million. To partially offset the costs to NYCEDC for establishing and operating the ferry system, NYCEDC was not required to remit to the City $16.7 million under the Maritime Contract or commercial rents received from the 42nd Street Development Project (Notes 1 and 3). Additionally, during fiscal year 2022, the Corporation recognized $15.0 million and $30.0 million of funding for NYC Ferry from City tax levy and Federal Transit Administration funds, respectively. Any remaining deficit is funded by unrestricted resources.

13. Lease Liabilities

The Corporation classified agreements that meet the criteria for GASB 87 as lease liabilities. At June 30, 2022, the Corporation held 72 leases for vehicles, equipment, office space and piers. The 70 vehicle and equipment leases range in duration of three to five years and terminate at various dates through June 2025. Additionally, NYCEDC entered into two long term lease agreement for its office space and Pier 11/12 (Brooklyn Cruise Terminal). The office lease is effective March 2018 with an expiration date of May 31, 2039. The Pier 11/12 lease, amended and restated as of January 1, 2009, expires on December 31, 2058.

13. Lease Liabilities (continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2022 are as follows:

	Vehicles and Equipment	Office Space	Pier 11/12	Total
2023	$ 343	$ 11,840	$ 1,365	$ 13,548
2024	300	11,937	1,428	13,665
2025	154	12,972	1,493	14,619
2026	–	12,976	1,561	14,537
2027	–	12,980	1,631	14,611
2028–2032	–	68,433	9,315	77,748
2033–2037	–	74,181	11,550	85,731
2038–2042	–	29,300	14,269	43,569
2043–2047	–	–	17,578	17,578
2048–2052	–	–	21,603	21,603
Thereafter	–	–	35,569	35,569
Total	$ 797	$ 234,619	$ 117,362	352,778
Less: Adjustment for present value				(69,692)
Lease liabilities at June 30, 2022				$ 283,086

14. Pension Plan

NYCEDC maintains a 401(a) defined contribution pension plan that covers substantially all full-time employees. The pension plan provides for variable contribution rates by NYCEDC ranging from 6% to 18% of the employees' eligible wages, as defined in the IRC. NYCEDC employees receive a nonmatching contribution in the amount of 6% of wages at the beginning of the 2nd year of employment. This amount increases to 10% at the beginning of the 4th year of employment, 12% at the beginning of the 5th year of employment, 14% at the beginning of the 6th year of employment, 16% at the beginning of the 11th year of employment, and 18% at the beginning of the 16th year of employment. Employees are 100% vested at the time of contribution. Contributions are made quarterly and are current. The plan is administered at the direction of the NYCEDC Retirement Plan Investment Committee. Pension expense for the fiscal year ended June 30, 2022, amounted to $6.2 million and is included in personnel services in the accompanying statement of revenues, expenses, and changes in net position.

15. Postemployment Benefits Other Than Pensions

NYCEDC sponsors a single employer defined benefit health care plan that provides postemployment medical benefits for eligible retirees and their spouses. Commonly referred to as a plan for other post-employment benefits, this plan was amended during February 2011 with an effective date of July 1, 2011, and again in July 2016 with an effective date of June 30, 2016. The amendments include revisions to the definition of what constitutes an eligible participant and the closure of the plan to new participants. As a result of these amendments, the plan maintains the current benefit structure, but plan participation will continue for only certain groups of members, who are (i) all retired members, (ii) all active employees hired prior to April 1, 1986, who are ineligible for Medicare coverage when they depart EDC, and (iii) all active employees who started working prior to January 1, 2011, with (a) at least 10 years of service as of that date or (b) who will be age 60 or older by June 30, 2023 and will have at least 10 years of service by the time they retire.

Benefit provisions and contribution requirements for the plan are administered and managed by a committee consisting of NYCEDC employees and can be amended by the Corporation. There is no statutory requirement for NYCEDC to continue this plan. The plan is a contributory plan with retirees subject to contributions established for either the Low or High version of the plan. Retirees receiving the post-employment health benefits pay a premium amount equal to what a current NYCEDC active employee pays, based on the retiree’s family status. Under the Low option, retirees make contributions in the amount of $50 a month for single coverage and $100 a month for family coverage. Effective September 1, 2022, these amounts are increasing to $60 monthly for single and $120 monthly for family. This change is not assumed to increase in future years, and though effective September 1, 2022, has been reflected as of June 30, 2022 and valued as an assumption change. Under the High option, retiree contributions are $100 a month for single coverage and $200 a month for family coverage. Additional costs may be incurred by the retiree under either the Low or High plan version.

On June 27, 2018, NYCEDC established and funded the New York City Economic Development Corporation OPEB Trust (the Trust), an irrevocable trust for the payments to fund this obligation. All of the plan assets are maintained within the Trust, and detailed information about the OPEB plan’s fiduciary net position is presented in the Corporation’s statement of fiduciary net position and statement of changes in fiduciary net position.

15. Postemployment Benefits Other Than Pensions (continued)

Employees Covered by Benefit Terms – As of July 1, 2021, the following employees were covered by the benefit terms:

	2022
Active employees	61
Inactive employees and/or beneficiaries currently receiving benefit payments	42
Future retirees and beneficiaries not currently receiving benefit payments	6
Total participants	109

At June 30, 2022, benefit payments amounting to approximately $183,952 were paid by NYCEDC and will be reimbursed by the Trust in the following year from net position available for plan benefits.

Contributions – NYCEDC has the right to establish and amend the contribution requirements. For the fiscal year ended June 30, 2022, the average contribution rate was 0% of covered payroll.

Net OPEB Asset/Liability

The Corporation's net OPEB liability and total OPEB liability was determined as of June 30, 2022 based on a roll-forward of the July 1, 2021 valuation using data as of that date.

15. Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions – The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% per annum, compounded annually
Investment rate of return	2021 – 4.04% per annum, compounded annually 2022 – 4.96% per annum, compounded annually
Salary increases	4.25%
Health care costs trend rates	7.55% grading down to an ultimate rate of 4.75% for <65, 7.15% grading down to an ultimate rate of 4.75% for >65

Mortality rates were based on the Pub-2010 Above Median Headcount Weighted General Mortality table with application of the MP-2021 improvement scale on a fully generational basis. The MP-2021 improvement scale was released by the Society of Actuaries in 2021 and reflects additional data from the Social Security Administration.

Long-Term Expected Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-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.

Discount Rate – The discount rate used to measure the total OPEB liability was 4.78% at June 30, 2022. The projection of cash flows used to determine the discount rate does not assume any additional contributions. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2056. After that time, benefit payments for current plan members will be funded on a pay-as-you-go basis.

15. Postemployment Benefits Other Than Pensions (continued)

Investments

Investment Policy – The Trust's investments are made in accordance with the provisions of the Trust's investment policy (the Investment Policy). The goals of the Investment Policy are to invest for the sole purpose of funding the OPEB plan's obligation of the Corporation in a prudent manner and to conserve and enhance the value of the Trust's assets through appreciation and income generation while maintaining a moderate investment risk.

The Trust has retained an investment consultant to ensure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The Investment Policy was adopted in April 2019. The Trust is currently invested in the following securities within the current investment policy limitations:

Asset Class	Allocation
US large cap	8%
Non-US equity	4
Absolute return	8
Long-term bond	40
Aggregate bond	40
	100%

The Investment Policy limits the Trust to investing no more than 5% of the total portfolio in the common stock of any one corporation. The Trust may not hold more than 5% of the outstanding shares of any one company. Fixed-income securities of any one issuer shall not exceed 5% of the total fixed income portfolio at the time of purchase if held in a separate account. Holdings of any individual issue, other than issues of the United States government, may not exceed 5% of the value of the total issue. Commingled investment vehicles such as mutual funds or common trust or collective investment funds will be evaluated based on their diversification characteristics as presented in their investment strategy and discipline.

15. Postemployment Benefits Other Than Pensions (continued)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – Value based on quoted prices in active markets for identical assets.

Level 2 – Value based on significant other observable inputs such as a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Level 3 – Value based on inputs that are unobservable and significant to the fair value measurement such as discounted cash flows.

The following summarizes the Trust's investments by type held at June 30, 2022 (dollars in thousands):

	June 30, 2022				
Investment type	Level	Fair Value	Investments Less Than 1 Year	Maturities 1–5 Years	Maturities 6–10 Years
Investments by fair value level					
Money market fund	1	$ 76	$ 76	$ –	$ –
Mutual funds	1	20,119	20,119	–	–
Total investments by fair value level		20,195	$ 20,195	$ –	$ –
Less amounts reported as cash equivalents per the financial statements		(76)			
Total investments per the financial statements		$ 20,119			

The following discusses the Trust's exposure to common deposit and investment risks related to custodial credit, credit, concentration of credit, interest rate and foreign currency risks as of June 30, 2022.

15. Postemployment Benefits Other Than Pensions (continued)

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the Trust's deposits may not be returned. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Trust, and are held by either the depository financial institution or the depository financial institution's trust department or agent but not in the Trust's name.

The Trust manages custodial credit risk by limiting possession of investments to highly rated institutions or requiring that high-quality collateral be held by the counterparty in the name of the Corporation.

Credit Risk – Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Trust has an investment policy regarding the management of Credit Risk, as outlined above. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

At June 30, 2022, the Trust did not have any investment in debt securities.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Trust's investment in a single issuer. Investments of Trust assets are diversified in accordance with the Corporation's investment policy, which defines guidelines for the investment holdings. The asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy and the securities markets. At June 30, 2022, no more than 5% of the Trust's investments were in a single issuer.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Within cash portions of the portfolio, interest rate risk is managed using the effective duration methodology. This methodology is widely used in the management of cash and fixed income portfolios in that it quantifies with greater precision the amount of risk due to interest rate changes. Interest rate risk is managed by investing in mutual funds that limit risk by diversifying holdings and purchasing companies of lower risk.

15. Postemployment Benefits Other Than Pensions (continued)

Rate of Return – As required by GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the annual money-weighted rate of return on trust investments, net of investment expenses was (15.8)% for the fiscal year ended June 30, 2022. The calculation is based on investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Changes in Net OPEB (Asset) Liability

For the fiscal year ended June 30, 2022 (dollars in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balances at beginning of the year	$ 24,616	$ 23,935	$ 681
Changes for the year:			
Service cost	473	–	473
Interest	832	–	832
Changes of benefit terms	–	–	–
Difference between expected and actual experience	(277)	–	(277)
Changes of assumptions	(7,483)	–	(7,483)
Contributions – employer	–	–	–
Net investment income	–	(3,470)	3,470
Benefit payments	(408)	(408)	–
Plan expense	–	(116)	116
Net changes	(6,863)	(3,994)	(2,869)
Net OPEB (asset) liability at end of year	$ 17,753	$ 19,941	$ (2,188)

15. Postemployment Benefits Other Than Pensions (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB (asset) liability of the Corporation, as well as what NYCEDC's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.78%) or 1 percentage point higher (5.78%) than the current discount rate (dollars in thousands):

	1% Decrease	Discount Rate (4.78%)	1% Increase
Net OPEB (asset) liability, June 30, 2022	$ 208	$ (2,188)	$ (4,205)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates – The following presents the net OPEB (asset) liability of the Corporation, as well as what NYCEDC's net OPEB (asset) liability would be if it were calculating using health care cost trend rates that are 1 percentage point lower or 1 percent point higher (dollars in thousands):

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Net OPEB (asset) liability, June 30, 2022	$ (4,611)	$ (2,188)	$ 784

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, NYCEDC recognized OPEB income of $0.7 million. OPEB income and expense are reported in the Corporation's financial statements as part of personnel services expense. At June 30, 2022, NYCEDC reported deferred inflows of resources related to OPEB from the following sources (dollars in thousands):

	Deferred Inflows	Deferred Outflows
Difference between expected and actual experience	$ 368	$ 735
Changes in assumptions	7,665	1,603
Difference between projected and actual investment earnings/loss	807	3,546
	$ 8,840	$ 5,884

15. Postemployment Benefits Other Than Pensions (continued)

Amounts reported will be recognized in OPEB expense as follows (dollars in thousands):

Fiscal year ended June 30:		
2023	$	1,179
2024		918
2025		192
2026		181
2027 and thereafter		486
	$	2,956

16. Blended Component Units

The Corporation's operations include blended component units which are included in the Corporation's basic financial statements, in accordance with GASB 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. The Corporation includes these entities as blended component units as: (1) the Corporation and these entities have financial benefit and burden relationships and (2) the Corporation has operational responsibility for these entities. The blended component units include:

CLIC Captive Insurance

In 2016, NYCEDC established the City Lights Insurance Company (CLIC) as a single parent captive insurance company wholly owned by NYCEDC. CLIC was incorporated on May 26, 2016, and is domiciled in the State of New York. It commenced business operations on July 1, 2016.

At June 30, 2022, CLIC had no investments and maintained a cash balance of approximately $3.9 million with JP Morgan Chase.

CLIC continues to provide coverage for two lines of insurance: cyber insurance and additional terrorism insurance. CLIC provides excess cyber coverage to NYCEDC and each company that is more than 50% owned and controlled by NYCEDC, with limits of $9 million per claim and in the aggregate, in excess of $5 million of underlying insurance and self-insured retentions.

16. Blended Component Units (continued)

CLIC also began directly providing terrorism insurance for acts of Nuclear, Biological, Chemical or Radiological terrorism, with limits of $6 million per occurrence and in the aggregate for any one certified act of terrorism.

All policies provided by CLIC cover certified terrorism losses as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and subsequent extensions. Under the TRIA coverage, the United States Government provides a backstop on a quota share basis for 85% (beginning on January 1, 2016 and decreasing by 1% per calendar year until equal to 80%) if the total loss affecting all involved insurers exceeds $100 million. Additionally, under Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA), the federal government's share of insured losses gradually decreases from 85% to 80%, dropping one percent annually beginning on January 1, 2016. During 2019, TRIA was extended again by the U.S. Treasury through 2027 with a loss trigger of $200,000,000 and coinsurance protection of 80% for calendar year 2020 going forward.

Effective December 10, 2018, CLIC began directly providing flood deductible and self-insured retention reimbursement coverage for locations not covered by a National Flood Insurance Program or located in Special Flood Hazard Areas as defined by the Federal Emergency Management Agency to NYCEDC and its affiliates, with limits ranging from $500,000 to $1,000,000 in excess of a $25,000 deductible per occurrence, with no aggregate limits.

Statement of Net Position

The following table summarizes CLIC's financial position at June 30, 2022 (dollars in thousands):

Total assets	$	3,893
Total liabilities		34
Total net position	$	3,859

16. Blended Component Units (continued)

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes CLIC's change in net position for the fiscal year ended June 30, 2022 (dollars in thousands):

Operating revenues	$	621
Operating expenses		117
Operating income		504
Change in net position		504
Total net position, beginning of fiscal year		3,355
Total net position, end of fiscal year	$	3,859

City of New York Early Stage Life Sciences Fund LLC

The City of New York Early Stage Life Sciences Fund LLC (ESLSF) was formed in December of 2013, as a result of an initiative designed to champion the City's early-stage life sciences ecosystem. It is designed to support the development of new technologies and products for patients and researchers, including therapeutics, medical devices, diagnostics, research and development instrumentation, and digital life sciences technologies.

Statement of Net Position

The following table summarizes ESLSF's financial position at June 30, 2022 (dollars in thousands):

Total assets	$	3,495
Total liabilities		–
Total net position	$	3,495

16. Blended Component Units (continued)

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes ESLSF's change in net position for the fiscal year ended June 30, 2022 (dollars in thousands):

Operating revenues	$ –
Operating expenses	–
Operating income (loss)	–
Non-operating income	1
Change in net position	1
Total net position, beginning of fiscal year	3,494
Total net position, end of fiscal year	$ 3,495

New York City Entrepreneurial Fund LLC
The New York City Entrepreneurial Fund LLC (NYCEF) was formed in February of 2010 to facilitate the expansion of the City's entrepreneurial sector by incentivizing new private sector seed and early stage financing for companies based in the City.

Statement of Net Position

The following table summarizes NYCEF's financial position at June 30, 2022 (dollars in thousands):

Total assets	$ 325
Total liabilities	–
Total net position	$ 325

16. Blended Component Units (continued)

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes NYCEF's change in net position for the fiscal year ended June 30, 2022 (dollars in thousands):

Operating revenues	$ –
Operating expenses	–
Operating income (loss)	–
Non-operating income	(600)
Interfund transfers	(384)
Change in net position	(984)
Total net position, beginning of fiscal year	1,309
Total net position, end of fiscal year	$ 325

NYC Ferry Fleet, LLC

The NYC Ferry Fleet, LLC (NYCFF) was formed in October of 2018 to take title of purchased ferry vessels operating in the NYC Ferry system. Depreciation expense of titled vessels is reflected as operating costs of NYCFF.

Statement of Net Position

The following table summarizes NYCFF's financial position at June 30, 2022 (dollars in thousands):

Total assets	$ 207,112
Total liabilities	–
Total net position	$ 207,112

16. Blended Component Units (continued)

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes NYCFF's change in net position for the fiscal year ended June 30, 2022 (dollars in thousands):

Operating revenues	$ –
Operating expenses	9,322
Operating loss	(9,322)
Capital contributions	–
Change in net position	(9,322)
Total net position, beginning of year	216,434
Total net position, end of year	$ 207,112

NYC COVID-19 Emergency Services, LLC

The NYC COVID-19 Emergency Services LLC (NYCCES) was formed in April of 2020 to take all appropriate and necessary steps to render all required and available assistance to protect the security, well-being and health of the residents of the City and property in which the City or NYCEDC has an interest. Such services may include, but are not limited to, making emergency procurements of goods and services for such purposes.

Statement of Net Position

The following table summarizes NYCCES's financial position at June 30, 2022 (dollars in thousands):

Total assets	$ 944
Total liabilities	934
Total net position	$ 10

16. Blended Component Units (continued)

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes NYCCES's change in net position for the fiscal year ended June 30, 2022 (dollars in thousands):

Operating revenues	$ 27
Operating expenses	27
Operating income	–
Non-operating income	1
Change in net position	1
Total net position, beginning of fiscal year	9
Total net position, end of fiscal year	$ 10

NYC COVID-19 Response, LLC

The NYC COVID-19 Response LLC (NYCCR) was formed in March of 2021 to establish a program that will facilitate funding to address the needs of hospitals in the City caused by the COVID-19 pandemic and the emerging new variants of the COVID-19 virus.

Statement of Net Position

The following table summarizes NYCCR's financial position at June 30, 2022 (dollars in thousands):

Total assets	$ 24,862
Total liabilities	24,862
Total net position	$ –

16. Blended Component Units (continued)

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes NYCCR's change in net position for the fiscal year ended June 30, 2022 (dollars in thousands):

Operating revenues	$ 383
Operating expenses	383
Operating income (loss)	–
Non-operating income (loss)	–
Change in net position	–
Total net position, beginning of fiscal year	–
Total net position, end of fiscal year	$ –

17. Other Related-Party Transactions

New York City Land Development Corporation (LDC)

On May 8, 2012, the City formed LDC as a local development corporation organized under section 1411 of the NPCL. LDC is engaged in economic development activities by means of the leasing and selling of certain City-owned properties. No fees were established between NYCEDC and LDC in the current fiscal year. Instead, the Corporation provides LDC with operating grant funding for LDC's general and administrative expenses. For the fiscal year ended June 30, 2022, $2,022 was provided to LDC for such expenses.

New York City Industrial Development Agency (IDA)

IDA was established in 1974 as a public benefit corporation of the State of New York. NYCEDC is responsible for administering the economic development programs of IDA. For fiscal year ended June 30, 2022, the Corporation earned management fee income from IDA of $4.4 million. At June 30, 2022, the amount due from IDA totaled $0.7 million.

17. Other Related-Party Transactions (continued)

Build NYC Resource Corporation (Build NYC)

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an annual agreement between NYCEDC and Build NYC, the Corporation provides management services to Build NYC and administers its financial books and records. For fiscal year ended June 30, 2022, NYCEDC earned management fee income from Build NYC of $2.2 million. At June 30, 2022, the amount due from Build NYC totaled $0.4 million.

The Trust for Cultural Resources of New York City (TCR)

Pursuant to an annual agreement between NYCEDC and TCR, a public benefit corporation created pursuant to Articles 20 and 21 of the New York Arts and Cultural Affairs Law, the Corporation provides TCR with management services. For the fiscal year ended June 30, 2022, NYCEDC earned management fees of $0.3 million from TCR. At June 30, 2022, there were no amounts due from TCR.

New York City Neighborhood Capital Corporation (NCC)

NCC is a not-for-profit corporation organized under the NPCL. NCC has all power and authority to make qualified low-income community investments in the City of New York and to allocate federal tax credits for this purpose. NYCEDC provided full management services to NCC, and no fees were charged for these services for the fiscal year ended June 30, 2022. At June 30, 2022, the amounts due from NCC for the reimbursement of costs paid by the Corporation on behalf of NCC totaled $1,977.

Public Realm Improvement Fund Governing Group Inc. (PRIF)

PRIF, which was incorporated under NPCL and commenced operation in 2017, was created to administer the Public Realm Improvement Fund (the Fund) for the exclusive charitable and public purpose of lessening the burdens of government for the City and acting in the public's interest. Specifically, this is done by allocating funds from the Fund to implement public realm improvement projects in East Midtown. The Corporation provided full management services to PRIF, and no fees were charged for these services for fiscal year ended June 30, 2022. At June 30, 2022, the amounts due from PRIF for the reimbursement of costs paid by NYCEDC on behalf of PRIF, totaled $24,634.

18. Accounting for Derivatives and Fuel Hedging Activity

As described in Note 12, NYCEDC, on behalf of the City, contracted in June 2016 with HNY for the provision of ferry services for the new NYC Ferry system. NYCEDC was initially responsible for the cost of up to 3.3 million gallons of ultra-low sulfur diesel fuel per annum under the six-year operating agreement with HNY. Due to the unexpected increase in demand for ferry services that occurred immediately after the launch of the program, the Corporation contracted to increase the number of vessels in service and the related annual fuel cap for future years. The cap will increase gradually to reach 8.3 million gallons by fiscal year 2023. COVID-19 has significantly reduced ridership, prompting reductions to ferry service and related fuel usage. It is not known if, or for how long, these conditions will persist. Although the contract caps the number of gallons that NYCEDC is responsible for, the price per gallon is subject to market conditions. Consequently, the Corporation was authorized by its Board of Directors to implement an energy price risk management program to manage NYCEDC's exposure to the cost of fuel for NYC Ferry.

NYCEDC enters into all fuel hedging arrangements for the sole purpose of hedging against cash flow fluctuations and increasing budgetary certainty. NYCEDC is represented in these transactions by an advisor and designated evaluation agent, also known as a qualified independent representative (QIR).

The following risks are generally associated with hedging instruments:

Basis Risk – A systemic risk that arises from variations between hedge-relative price and cash/spot price of the hedged commodity at any given point of time. However, NYCEDC uses the NY harbor low-sulfur diesel futures pricing index as the reference for both the hedging instruments and the delivery contracts, so there is a high correlation between the prices paid for the commodity and the futures contracts pricing.

Cash Flow Risk – The risk of experiencing outflow of cash to meet margin calls for future contracts due to falling prices for future contracts. This risk is naturally mitigated by the opposite movement of the actual prices paid as compared to the futures contract prices.

18. Accounting for Derivatives and Fuel Hedging Activity

Counterparty Risk – The risk that the counterparty will not fulfill its obligations under the option contracts. NYCEDC uses exchange-traded diesel fuel futures contracts as its hedging instrument. With this, the New York Mercantile Exchange Clearing House is the financial counterparty. Due to a high level of regulation of the U.S. futures markets, the risk of exchange clearing house default is extremely remote.

Termination Risk – The risk that the underlying hedge transactions will not run to maturity due to a counterparty event. To minimize this risk, NYCEDC will not purchase contracts where the counterparty has an option to terminate while NYCEDC is performing.

Beginning in September 2017, NYCEDC executed International Swaps and Derivatives Association (ISDA) master agreements with Chase Bank, N.A. (JPMorgan) and Citibank, N.A. (Citibank), paving the way to use swap and call option contracts for fuel hedging purposes. Subsequently, NYCEDC purchased call option contracts from JPMorgan, with a notional volume of 2.8 million gallons to hedge against the fuel cap for calendar year 2018 and a call option contract from Citibank, with a notional volume of 1.6 million gallons, covering the first half of calendar year 2019. These call options expired as of June 30, 2019. NYCEDC did not purchase any call options during fiscal year 2022.

Additionally, NYCEDC continued to use futures contracts as a hedging vehicle. On June 30, 2022, NYCEDC maintained a position of 152 futures contracts for ultra-low sulfur diesel and crude oil. These contracts cover a percentage of the fuel commitment for the next two years of the HNY operating contract period.

18. Accounting for Derivatives and Fuel Hedging Activity (continued)

As of June 30, 2022, the fair values of NYCEDC's commodity futures contracts, based on average daily rates, are listed below. These contracts fall within the Level 2 category investments of the fair value hierarchy.

Diesel Fuel	Notional Amount – Gallon	Number of Contracts	Maturity Date	Fair Value June 30, 2022	Average Futures Price $/Gallon
	588,000	14	Jul-22	$ 1,309,555.80	$1.6034
	546,000	13	Aug-22	1,167,419.40	$1.6268
	546,000	13	Sep-22	1,144,458.00	$1.6025
	462,000	11	Oct-22	$921,559.80	$1.6310
	462,000	11	Nov-22	$894,915.00	$1.6121
	462,000	11	Dec-22	$858,345.60	$1.6248
	420,000	10	Jan-23	$757,789.20	$1.6084
	462,000	11	Feb-23	$817,857.60	$1.5640
	504,000	12	Mar-23	$838,698.00	$1.5899
	462,000	11	Apr-23	$739,452.00	$1.5927
	378,000	9	May-23	$569,457.00	$1.6326
	378,000	9	Jun-23	$326,982.60	$2.2420
	378,000	9	Jul-23	$99,565.20	$2.8116
	336,000	8	Aug-23	$33,705.00	$2.9394
Total fair value				$ 10,479,760.20	

19. Commitments and Contingencies

NYCEDC has an aggregate contractual commitment of $177.6 million at June 30, 2022, under different self-funded economic development initiatives and projects, including but not limited to the NYC Ferry system and the City of New York Early-Stage Life Sciences.

The Corporation's loan and loan guarantee finance programs are designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for the City. As of June 30, 2022, NYCEDC's aggregate remaining commitments for these programs is $54.8 million, of which $41.9 million has been put on hold to reallocate resources due to COVID-19.

19. Commitments and Contingencies (continued)

NYCEDC was the co-trustee along with 42nd Street Development Corporation (a subsidiary of New York State Urban Development Corporation d/b/a Empire State Development Corporation (ESDC)) for the use of certain development funds under the 42nd Street Development Project. The trustees jointly extended a loan to the New Amsterdam Development Corporation (NADC) for renovation of the New Amsterdam Theatre. The principal loan amount of $25.6 million was equally disbursed by the trustees and matures on January 31, 2027. Interest on the loan has ranged between 3.0% and 3.5%. NYCEDC's portion of the loan, $12.8 million, was reimbursed to the Corporation by the City. The conduit loan payment constitutes both a receivable from NADC and a payable to the City. This transaction is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

NYCEDC is party to a funding agreement between ESDC, the City, and the Trustees of Columbia University (Columbia). The agreement was signed on November 20, 1992, as part of the Audubon building lease assignment for the benefit of Columbia. At inception Columbia received $10 million from the City, through NYCEDC, and $8 million directly from ESDC to pay for eligible site development costs. Under the lease agreement, Columbia was scheduled to repay the $18 million to NYCEDC no later than April 5, 2020. Under a subsequent executed payout agreement, the repayment was made in November 2021 and as of June 30, 2022, no amounts due remain outstanding.

NYCEDC, and in certain situations as co-defendant with the City, IDA, and/or LDC, is involved in personal injury, property damage, breach of contract, environmental and other miscellaneous claims and lawsuits in the ordinary course of business. NYCEDC believes it has meritorious defenses or positions with respect thereto. In management's opinion, such litigation is not expected to have a materially adverse effect on the financial position of NYCEDC.

20. Risk Management

Given the diverse nature of projects, initiatives and assets managed by NYCEDC and its concentrated operational geography, the Corporation is exposed to a variety of exposures and their potential risks. Based on NYCEDC's operations, the Corporation's risk can largely be categorized as theft of, damage to, and destruction of real assets; various types of injury or harm to employees and third parties; tort law; and reputational. In response, NYCEDC diligently works to identify, understand and, where possible, quantify these risks associated with current and potential operations to ensure the appropriate action is implemented to properly address them. The Corporation uses several methods to mitigate these risks, including but not limited to loss prevention/risk engineering, contractual risk transfer, and the use of financial and commercial insurance products.

Required Supplementary Information

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Schedule of Changes in Net OPEB Liability
(In Thousands)

	2022	2021	2020	2019	2018
Total OPEB liability:					
Service cost	**$ 473**	$ 407	$ 380	$ 531	$ 561
Interest	**832**	897	816	704	666
Changes of benefit terms	**–**	–	900	–	–
Difference between expected and actual experience	**(277)**	(99)	1,440	(206)	(103)
Changes in assumptions	**(7,483)**	2,379	(1,177)	(3,180)	(147)
Benefit payments	**(408)**	(330)	(208)	(201)	(225)
Net change in total OPEB liability	**(6,863)**	3,254	2,151	(2,352)	752
Total OPEB liability – beginning	**24,616**	21,362	19,211	21,563	20,811
Total OPEB liability – ending (a)	**$ 17,753**	$ 24,616	$ 21,362	$ 19,211	$ 21,563
Total fiduciary net position:					
Contributions – employer	**$ –**	$ –	$ –	$ –	$ 20,000
Net investment income	**(3,470)**	1,294	2,434	1,195	–
Administrative expenses paid by the Trust	**(116)**	(98)	(36)	–	–
Benefit payments	**(408)**	(330)	–	–	–
Benefits and expenses payable	–	–	(524)	–	–
Net change in fiduciary net position	**(3,994)**	866	1,874	1,195	20,000
Trust fiduciary net position – beginning	**23,935**	23,069	21,195	20,000	–
Trust fiduciary net position – ending (b)	**$ 19,941**	$ 23,935	$ 23,069	$ 21,195	$ 20,000
Corporation's net OPEB (asset) liability – end of fiscal year (a-b)	**$ (2,188)**	$ 681	$ (1,707)	$ (1,984)	$ 1,563
Trust fiduciary net position as a percentage of the total OPEB liability	**112%**	97%	108%	110%	93%

This schedule is intended to present information for 10 years. Additional years will be presented when available.

Schedule of Changes in Net OPEB Liability (in thousands) continued

Notes to schedule

Benefit changes:
Since the prior full valuation, assumed contributions for all future retirees were increased from $50.00 monthly for single and $100.00 monthly for family to $60.00 monthly for single and $120.00 monthly for family. These amounts are not assumed to increase in future years, and the change, effective September 1, 2022, has been reflected as of June 30, 2022 and valued as an assumption change.

Changes of assumptions:

1. Discount rate was changed from 3.34% at June 30, 2021, to 4.78% at June 30, 2022.
2. Rate of return was changed from 4.04% at June 30, 2021, to 4.96% at June 30, 2022.
3. The mortality improvement scale was updated to use MP-2021 at June 30, 2022, from the MP-2020 at June 30, 2021.
4. Healthcare cost trend rate assumptions changed from an initial rate of 6.55% for pre-Medicare and 6.15% for Medicare benefits grading down to an ultimate rate of 4.75% in FY2027 to an initial rate of 7.55% for pre-Medicare and 7.15% for Medicare benefits grading down to an ultimate rate of 4.75% in FY2030.
5. Demographic assumptions including the rates of retirement, termination, participation, and spousal coverage assumptions updated to be consistent with those used for the general population in the New York City Employees' Retirement System (NYCERS) valuation.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Schedule of OPEB Contributions
(In Thousands)

	2022	2021	2020	2019	2018
Actuarially determined contribution	**$ –**	$ –	$ –	$ –	$ –
Contributions in relation to the actuarially determined contribution	–	–	–	–	20,000
Contribution deficiency (excess)	**$ –**	$ –	$ –	$ –	$ (20,000)
Covered-employee payroll	**$ 7,903**	$ 8,031	$ 8,405	$ 8,018	$ 8,231
Contributions as a percentage of covered-employee payroll	**–%**	–%	–%	–%	243%

Valuation dates:	June 30, 2021; results were rolled forward to June 30, 2022.
Actuarial cost method:	Entry age normal, level percent of pay; service costs are attributed through all assumed ages of exit from active service.
Amortization method:	N/A
Asset valuation method:	Market values
Inflation:	3.0% per annum
Salary increases:	4.25% per annum
Investment rate of return:	4.96 for 2022
Health care trend rates:	7.55% grading down to an ultimate rate of 4.75% for <65, 7.15% grading down to an ultimate rate of 4.75% for >65
Mortality:	Based on the Pub-2010 Above Median Headcount Weighted General Mortality table published by the Society of Actuaries in 2021. The mortality improvement scale was updated to the MP-2021 scale.
Benefit changes:	Since the prior full valuation, assumed contributions for all future retirees were increased from $50.00 monthly for single and $100.00 monthly for family to $60.00 monthly for single and $120.00 monthly for family. These amounts are not assumed to increase in future years, and the change, effective September 1, 2022, has been reflected as of June 30, 2022 and valued as an assumption change.

This schedule is intended to present information for 10 years. Additional years will be presented when available.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Schedule of Investment Returns

	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	**(15.8)%**	5.6%	11.5%	6.0%	–

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Supplementary Information

New York City Economic Development Corporation

(A Component Unit of the City of New York)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

(In Thousands)

	Total Unrestricted	Maritime Fund	NYC Ferry	Adjustment	Total Maritime and NYC Ferry	NYC Ferry Fleet, LLC	Brooklyn Army	Other Properties	Finance Programs	Capital Programs	Public Purpose and Other Fund	Apple 42nd Street	Total	Adjustments for GASB 87	June 30, 2022
Operating revenues:															
Grants[1]	$ 167,552	$ –	$ 45,000	$ –	$ 45,000	$ –	$ –	$ –	$ –	$ 670,229	$ 4,147	$ –	$ 886,928		**$ 886,928**
Property rentals	68,685	54,219	–	–	54,219	–	29,780	4,164	–	–	–	73,533	230,381	(49,550)	**180,831**
Ferry related revenues	–	–	13,740	(13,740)	–	–	–	–	–	–	–	–	–	–	**–**
Fee income	9,865	33	–	–	33	–	40	–	–	–	18	368	10,324	–	**10,324**
Other income	38,239	10,623	2,144	(2,144)	10,623	–	5,982	6,315	329	–	25,819	1,994	89,301	–	**89,301**
Other Income – 42nd Street	49,915	–	–	–	–	–	–	–	–	–	–	(49,915)	–	–	**–**
Total operating revenues	334,256	64,875	60,884	(15,884)	109,875	–	35,802	10,479	329	670,229	29,984	25,980	1,216,934	(49,550)	**1,167,384**
Operating expenses:															
Project costs	157,959	–	–	–	–	–	–	–	–	–	6,866	–	164,825	–	**164,825**
Program costs	–	–	–	–	–	–	–	–	302	670,229	–	–	670,531	–	**670,531**
Property rentals and related operating expenses	10,892	54,439	–	–	54,439	–	18,824	4,167	–	–	–	1,646	89,968	(1,305)	**88,663**
Ferry related expenses	–	–	61,176	(15,884)	45,292	–	–	–	–	–	–	–	45,292	–	**45,292**
Personnel Services	57,565	7,315	–	–	7,315	–	1,785	352	197	–	62	632	67,908	–	**67,908**
Contract and other expenses to the City	3,198	–	–	–	–	–	–	–	–	–	23	23,702	26,923	–	**26,923**
Office rent	11,708	–	–	–	–	–	–	–	–	–	–	–	11,708	(11,708)	**–**
Interest expense – leases	–	–	–	–	–	–	–	–	–	–	–	–	–	4,232	**4,232**
Depreciation and amortization	6,551	406	–	–	406	9,322	1,011	–	–	680	–	–	17,970	12,331	**30,301**
Other general expenses	11,920	8,387	–	–	8,387		3,686	87	262	–	23	–	24,365	(329)	**24,036**
Total operating expenses	259,793	70,547	61,176	(15,884)	115,839	9,322	25,306	4,606	761	670,909	6,974	25,980	1,119,490	3,221,	**1,122,711**
Operating income (loss)	74,463	(5,672)	(292)	–	(5,964)	(9,322)	10,496	5,873	(432)	(680)	23,010	–	97,444	(52,771)	**44,673**
Non-operating revenues (expenses):															
Income (loss) from Investments	(925)	11	–	–	11	–	–	13	(393)	–	(561)	–	(1,855)	–	**(1,855)**
Interest revenue – leases	–	–	–	–	–	–	–	–	–	–	–	–		54,858	**54,858**
Non-operating income/(expense)	(633)	(371)	–	–	(371)	–	(970)	–	–	–	–	–	(1,974)	–	**(1,974)**
Total non-operating revenues (expenses):	(1,558)	(360)	–	–	(360)	–	(970)	13	(393)	–	(561)	–	(3,829)	54,858	**51,029**
Income before transfers	72,906	(6,032)	(292)	–	(6,324)	(9,322)	9,526	5,886	(825)	(680)	22,449	–	93,616	2,087	**95,702**
Interfund transfers	22,350	–	–	–	–	–	(13,313)	(4,500)	(4,536)	–	(1)	–	–	–	**–**
Change in net position	95,255	(6,032)	(292)	–	(6,324)	(9,322)	(3,787)	1,386	(5,361)	(680)	22,448	–	93,616	2,087	**95,702**
Total net position, beginning of fiscal year	306,532	7,000	(90,351)	–	(83,351)	216,434	18,581	1,757	53,927	4,132	28,452	–	546,464	–	**546,464**
Total unrestricted net position, end of fiscal year	336,019	(1,205)	(90,685)	–	(91,890)	–	–	–	–	–	–	–	244,129	29,405	**273,534**
Total restricted net position, end of fiscal year	–	–	–	–	–	–	500	3,143	48,566	3,012	50,900	–	106,121	12,632	**118,753**
Total net investment in capital assets, end of fiscal year	65,768	2,173	42	–	2,215	207,112	14,294	–	–	440	–	–	289,829	(39,950)	**249,879**
Total net position, end of fiscal year	$401,787	$ 968	$ (90,643)	$ –	$ (89,675)	$ 207,112	$ $14,794	$ 3,143	$ 48,566	$ 3,452	$ 50,900	$ –	640,079	2,087	**$ 642,166**

[1]Includes $15.0 million and $30.0 million of funding for NYC Ferry from City tax levy and Federal Transit Administration funds, respectively.

II. Government Auditing Standards Section

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Management and the Board of Directors
New York City Economic Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of the business-type activities and the fiduciary activities of the New York City Economic Development Corporation (the Corporation), 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 Corporation's basic financial statements, and have issued our report thereon dated October 3, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

October 3, 2022