

**New York City Economic Development Corporation**  
(a component unit of the City of New York)

**Financial Statements,  
Required Supplementary Information  
and Supplementary Information**

**Years Ended June 30, 2017 and 2016  
With Report of Independent Auditors**

**NYCEDC**

New York City Economic Development Corporation

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

Financial Statements, Required Supplementary Information,  
and Supplementary Information

Years Ended June 30, 2017 and 2016

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# I. Financial Section



## Report of Independent Auditors

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the NYCEDC's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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



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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYCEDC as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that management's discussion and analysis and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NYCEDC'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.

The combining schedule of revenues, expenses and changes in net position 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. Such 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. In our opinion, the combining



statement 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 also have issued our report dated September 29, 2017, on our consideration of the NYCEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYCEDC's internal control over financial reporting and compliance.

*Ernst + Young LLP*

September 29, 2017

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

Management's Discussion and Analysis

June 30, 2017 and 2016

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 years ended June 30, 2017 and 2016. Please read it in conjunction with the financial statements and accompanying notes.

**Fiscal Year 2017 Financial Highlights**

Net Position: \$432 million

- Cash, cash equivalents and investments increased \$57 million (or 11%)
- Net amount Due from the City, decreased \$47 million (or 38%)
- Other receivable decreased \$14 million (or 76%)
- Land held for development, at cost increased \$19 million (over 17%)
- Deposits received on pending sales of real estate decreased \$8 million (24%)
- Tenant security and deposits payables increased \$15 million (or 31%)
- Unearned revenue increased \$14 million (or 10%)

Change in Net Position: \$6 million

- Reimbursable grants decreased \$115 million (or 20%)
- Real estate sales decreased \$90 million (over 93%)
- Program and project costs decreased \$107 million (or 19%)
- Ferry related expenses, net totaled \$30 million
- Contract and other expenses to the City decreased \$60 million (or 59%)

New York City Economic Development Corporation  
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Management's Discussion and Analysis (continued)

**Overview of the 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.



New York City Economic Development Corporation  
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Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation**

**Condensed Statements of Net Position**

The following table summarizes NYCEDC's financial position at June 30, 2017, 2016, and 2015 (dollars in thousands) and the percentage changes between June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>% Change 2017-2016</b>
Current assets	<b>\$ 599,028</b>	\$ 553,581	\$ 575,667	8%
Non-current assets	<b>474,433</b>	473,565	370,483	-%
Total assets	<b>1,073,461</b>	1,027,146	946,150	5%
Deferred outflows of resources	<b>167</b>	-	-	
Current liabilities	<b>248,257</b>	256,424	292,731	(3)%
Non-current liabilities	<b>393,002</b>	344,483	327,669	14%
Total liabilities	<b>641,259</b>	600,907	620,400	7%
Net position:				
Restricted	<b>97,369</b>	95,144	83,575	2%
Unrestricted	<b>300,678</b>	302,445	222,380	(1)%
Net investment in capital assets	<b>34,322</b>	28,650	19,795	20%
Total net position	<b>\$ 432,369</b>	\$ 426,239	\$ 325,750	1%

New York City Economic Development Corporation  
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Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

During fiscal year 2017, total assets increased \$46 million or 5%, primarily due to a \$57 million increase in cash, cash equivalents, and investments. Land held for development increased by \$19 million due to property acquisitions at Home Street in the Bronx and West 21<sup>st</sup> Street in Coney Island. These increases were offset by a \$35 million reduction in the net amount due from the City, primarily due to decreased grant receivables for Community Development Block Grant (CDBG) and Federal Emergency Management Agency (FEMA). Other receivables decreased \$14 million, mainly due to \$11 million in proceeds received from a property sale in East Harlem.

Total liabilities increased \$40 million or 7%. Tenant security and deposits payable increased \$15 million, primarily due to pre-development escrow deposits including \$8 million for certain Long Island City waterfront properties, \$3 million for the former PC Richard site at Union Square, and \$2 million for the 'Slaughterhouse' site adjacent to the Javitz Center. Unearned revenues increased \$14 million, mainly due to the prepayment of \$16 million for development of the final phase of the High Line project.

The Corporation's overall net position during fiscal year 2017 increased \$6 million or 1% as a result of the fiscal year operating activities. This increase consisted of a \$2 million increase in restricted net position, and a \$4 million increase in net investments in capital assets and unrestricted net position.

New York City Economic Development Corporation  
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Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

**Prior Year**

During fiscal year 2016, total assets increased \$81 million or 9%. This increase is primarily due to the \$55 million increase in cash, cash equivalents, and investments, related to real estate sales transactions. Other receivables increased \$17 million, primarily due to an \$11 million receivable pertaining to a property sale in East Harlem. Capital assets increased by \$9 million due to the acquisitions of vessels for the NYC Ferry system as well as additional leasehold improvements at Brooklyn Army Terminal.

Total liabilities decreased \$20 million or 3%, primarily the result of a \$34 million decrease in accounts payable and accrued expenses related to the winding down of various capital projects. Unearned revenues decreased \$23 million, mainly due to incurred expenses for the Water Siphon project. These decreases were partially offset by a \$16 million increase in escrow deposits for a development in Lower East Side in Manhattan. Amounts payable to the City increased \$16 million in connection with pass through acquisition of vessels and property at Home Street and Longfellow Avenue in the Bronx.

The Corporation's overall net position during fiscal year 2016 increased \$100 million or 31% as a result of the fiscal year operating activities. This increase consisted of \$80 million in unrestricted net position and \$11 million in restricted net position, and a \$9 million increase to net investments in capital assets.

New York City Economic Development Corporation  
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Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

**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 the process of providing its services, NYCEDC primarily generates revenues from property rentals and real estate sales.

The following table summarizes NYCEDC's change in net position for the fiscal years ended June 30, 2017, 2016, and 2015 (dollars in thousands) and the percentage changes between fiscal years 2017 and 2016:

	2017	2016	2015	% Change 2017-2016
Operating revenues:				
Grants	\$ 450,527	\$ 565,900	\$ 461,820	(20)%
Real estate sales, property rentals	186,329	288,157	180,342	(35)%
Fees and other income	41,601	54,717	71,524	(24)%
Total operating revenues	<u>678,457</u>	908,774	713,686	(25)%
Operating expenses:				
Project and program costs	461,096	567,943	511,029	(19)%
Property rental expenses	56,749	64,805	62,335	(12)%
Ferry related expenses, net	30,009	-	-	
Personnel services	61,735	53,800	48,394	15%
Contract expenses to the City	42,490	102,759	94,583	(59)%
Office rent and other expenses	22,875	20,801	25,685	10%
Total operating expenses	<u>674,954</u>	810,108	742,026	(17)%
Operating income (loss)	3,503	98,666	(28,340)	(96)%
Total non-operating income (expenses)	2,627	1,823	3,073	44%
Change in net position	6,130	100,489	(25,267)	(94)%
Total net position, beginning of year	426,239	325,750	351,017	31%
Total net position, end of year	<u>\$ 432,369</u>	\$ 426,239	\$ 325,750	1%

New York City Economic Development Corporation  
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Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

During fiscal year 2017, operating revenues decreased \$230 million or 25%, primarily due to a \$115 million decrease in reimbursable grants from the winding down of the Rockaway Boardwalk project. In addition, real estate sales and property rentals decreased by \$90 million and \$12 million, respectively.

Operating expenses during fiscal year 2017 decreased \$135 million. Project and program costs decreased by \$107 million due to the aforementioned winding down of the Rockaway Boardwalk project. Contract expenses to the City decreased \$60 million mainly due to lower proceeds from real estate transactions. These decreases were partially offset by \$30 million in expenses incurred for initiation of the NYC Ferry service.

Accordingly, the Corporation recognized operating income of \$3.5 million during fiscal year 2017.

**Non-operating Activities**

Total non-operating revenues for fiscal years 2017 and 2016 were \$2.6 million and \$1.8 million, respectively. In fiscal years 2017, interest income from investments generated \$1.5 million.

**Net position**

The Corporation recognized an increase in net position of \$6 million during fiscal year 2017. This constitutes a decrease of \$94 million or 94% as compared with fiscal year 2016.

New York City Economic Development Corporation  
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Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

**Prior Year**

During fiscal year 2016, operating revenues increased \$195 million or 27%, primarily the result of a \$94 million increase in real estate sales, including a property in West 42<sup>nd</sup> Street (\$40 million), the Proton Center in Upper Manhattan (\$21 million) and the Civic Center in Lower Manhattan (\$20 million). Reimbursable grants increased \$104 million mainly due to additional program activities for the Rockaway Boardwalk project.

Operating expenses during fiscal year 2016 increased by \$68 million, or 9%, mainly due to increases of \$78 million in program costs and \$8 million in contract expenses to the City, offset by a decrease of \$21 million in project costs. The increase in program costs relates to the aforementioned increased activities for the Rockaway Boardwalk project while the increase in contract expenses to the City was due to higher pass-through rental and PILOT revenues recognized from the 42<sup>nd</sup> Street Development Project. These were offset by the winding down of various projects including the middle phase of the High Line project and a number of consulting engagements designed to improve operating efficiency in various agencies of the City.

Accordingly, the Corporation recognized operating income of \$99 million during fiscal year 2016.

**Non-operating Activities**

Total non-operating revenues for fiscal years 2016 and 2015 were \$1.8 million and \$3 million, respectively. In fiscal years 2016, interest income from investments generated \$1.9 million.

**Net position**

The Corporation recognized an increase in net position of \$100 million during fiscal year 2016. This constitutes an increase of \$126 million as compared with fiscal year 2015.

New York City Economic Development Corporation  
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Management's Discussion and Analysis (continued)

**Financial Analysis of the Corporation (continued)**

**Capital Assets**

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2017, 2016 and 2015 (dollars in thousands) and the percentage change between June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>% Change 2017-2016</b>
Leasehold improvements	\$ 16,906	\$ 15,773	\$ 13,994	7%
Equipment and computer software	16,235	7,159	8,556	127%
Work-in progress	12,701	14,581	6,866	(13)%
	<b>45,842</b>	<b>37,513</b>	<b>29,416</b>	<b>22%</b>
Less accumulated depreciation and amortization	<b>(11,5209)</b>	<b>(8,863)</b>	<b>(9,621)</b>	<b>30%</b>
Net capital assets	<b>\$ 34,322</b>	<b>\$ 28,650</b>	<b>\$ 19,795</b>	<b>20%</b>

Additional information about NYCEDC's capital assets is presented in Note 9 to the financial statements.

**Contacting NYCEDC's Financial Management**

This financial report is designed to provide our customers, clients and the public with a general overview of NYCEDC'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, 110 William Street, New York, NY 10038, or visit NYCEDC's website at <https://www.nycedc.com/about-nycedc/contact-us>.

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

Statements of Net Position (in thousands)

	June 30	
	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents – current	\$ 83,968	\$ 82,265
Restricted cash and cash equivalents – current	117,140	92,286
Unrestricted investments	86,132	45,324
Restricted investments	23,405	4,032
Current portion of loans and mortgage notes receivable	2,326	1,511
Accrued interest receivable from loans	234	191
Due from the City, including \$147,423 and \$162,477, respectively, under contracts with the City	217,650	252,934
Tenant receivables, net of allowance for uncollectible amounts of \$21,317 and \$18,970, respectively	59,621	53,273
Prepaid expenses	3,405	2,510
Other receivables	4,339	18,447
Land deposits in escrow	808	808
Total current assets	<u>599,028</u>	<u>553,581</u>
Non-current assets:		
Restricted cash and cash equivalents	158,318	145,513
Unrestricted investments	95,744	130,369
Restricted investments	30,941	38,996
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of \$792 and \$792, respectively)	20,110	15,252
Tenant receivables non-current	736	986
Capital assets, net	34,322	28,650
Land held for development, at cost	132,387	112,912
Other assets	1,875	887
Total non-current assets	<u>474,433</u>	<u>473,565</u>
Total assets	<u>1,073,461</u>	<u>1,027,146</u>
<b>Deferred outflows of resources</b>		
Derivative instrument – fuel futures	167	–
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses, including \$87,692 and \$96,075, respectively, under contracts with the City	176,809	175,816
Deposits received on pending sales of real estate	24,763	32,667
Due to the City: real estate obligations and other	8,592	11,398
Unearned revenue	36,053	34,205
Other liabilities	2,040	2,338
Total current liabilities	<u>248,257</u>	<u>256,424</u>
Non-current liabilities:		
Tenant security and escrow deposits payable	64,039	48,814
Obligation for other post-employment benefits	22,291	20,719
Due to the City: real estate obligations	130,554	115,846
Unearned revenue, including unearned grant revenue of \$25,001 and \$25,725, respectively, under contracts with the City	119,789	107,698
Retainage payable	54,572	50,566
Other liabilities	1,757	840
Total non-current liabilities	<u>393,002</u>	<u>344,483</u>
Total liabilities	<u>641,259</u>	<u>600,907</u>
<b>Net position:</b>		
Restricted by law or under various agreements	97,369	95,144
Unrestricted	300,678	302,445
Net investment in capital assets	34,322	28,650
Total net position	<u>\$ 432,369</u>	<u>\$ 426,239</u>

See accompanying notes.



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

Statements of Revenues, Expenses, and Changes in Net Position (in thousands)

	<b>Year Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Operating revenues:		
Grants	\$ 450,527	\$ 565,900
Property rentals	179,146	191,181
Fee income	11,494	14,964
Other income	30,107	39,753
Real estate sales, net	7,183	96,976
Total operating revenues	678,457	908,774
Operating expenses:		
Project costs	112,269	124,597
Program costs	348,827	443,346
Property rentals and related operating expenses	56,749	64,805
Ferry related expenses, net	30,009	–
Personnel services	61,735	53,800
Office rent	8,717	8,566
Contract and other expenses to the City	42,490	102,759
Other general expenses	14,158	12,235
Total operating expenses	674,954	810,108
Operating income	3,503	98,666
Non-operating revenues (expenses):		
Income from investments	1,536	1,930
Reimbursable grants – Superstorm Sandy	3,891	3,374
Repairs and other expenses – Superstorm Sandy, net of insurance proceeds	(2,761)	(3,349)
Non-operating (expense)/income	(39)	(132)
Total non-operating revenues (expenses)	2,627	1,823
Change in net position	6,130	100,489
Net position, beginning of year	426,239	325,750
Net position, end of year	\$ 432,369	\$ 426,239

*See accompanying notes.*

New York City Economic Development Corporation  
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Statements of Cash Flow (in thousands)

	Year Ended June 30	
	2017	2016
<b>Cash flows from Operating activities</b>		
Real estate sales	\$ 3,883	\$ 96,223
Property rentals	172,306	177,789
Grants from the City	510,218	570,054
Fee income	11,494	14,960
Other income	45,047	23,325
Project costs	(104,878)	(124,742)
Program costs	(357,212)	(473,287)
Property rentals and related operating expenses	(53,038)	(63,267)
Ferry expenses	(27,151)	–
Personnel services	(59,549)	(52,776)
Office rent	(8,717)	(8,565)
Contract and other expenses to the City	(42,490)	(102,762)
Other general and administrative expenses	(14,525)	(13,845)
Repayments of loans and mortgage receivable	(5,673)	4,230
Tenant security and escrow deposits	15,225	16,230
Insurance proceeds from Superstorm Sandy	–	(1,218)
Reimbursable grants – Superstorm Sandy	3,891	3,374
Expenses paid for Superstorm Sandy	(2,761)	(2,132)
Other	(3,338)	4,211
Net cash provided by operating activities	<u>82,732</u>	<u>67,802</u>
<b>Cash flows from Capital and related financing activities</b>		
Purchase of capital assets	(7,891)	(10,726)
Non-operating revenues	(39)	68
Net cash used in capital and related financing activities	<u>(7,930)</u>	<u>(10,658)</u>
<b>Cash flows from Investing activities</b>		
Sale of investments	139,297	105,658
Purchase of investments	(156,798)	(204,469)
Deposits on land	(19,475)	(4,150)
Interest income	1,536	1,930
Net cash used in investing activities	<u>(35,440)</u>	<u>(101,031)</u>
Net increase (decrease) in cash and cash equivalents	39,362	(43,887)
Cash and cash equivalents, beginning of year	320,064	363,951
Cash and cash equivalents, end of year	<u>\$ 359,426</u>	<u>\$ 320,064</u>

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

	<b>Year Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 3,503	\$ 98,666
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,219	1,871
Net cash provided by non-operating activities	1,130	25
Changes in operating assets and liabilities:		
Accrued interest receivable	(43)	(32)
Due to/from the City	47,186	24,388
Other non-current assets	(988)	–
Tenant receivables	(6,098)	(8,599)
Prepaid expenses and other receivables	13,213	(16,834)
Loans and mortgage notes receivable	(5,673)	3,671
Tenant security and escrow deposits payable	15,225	16,230
Accounts payable and accrued expenses	993	(34,384)
Deposits received on pending sales of real estate	(7,904)	(105)
Obligation for OPEB	1,572	236
Unearned grant revenue	13,940	(23,088)
Retainage payable	4,006	7,263
Other current liabilities	(465)	(1,716)
Other non-current liabilities	916	210
Net cash provided by operating activities	\$ 82,732	\$ 67,802
 <b>Supplemental disclosures of non-cash activities</b>		
Unrealized loss on investments	\$ (1,504)	\$ (444)

*See accompanying notes.*

New York City Economic Development Corporation  
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Notes to Financial Statements

June 30, 2017

**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).

NYCEDC is a not-for-profit corporation organized under the New York State (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 and administering 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, and the provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided under two annual contracts with the City: the amended and restated contract (Master Contract) and the Maritime Contract. These contracts and other related agreements with the City are herein referred to as the Contract Services.

In order 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 between the City and 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 or industrial facilities. The leases also generally provide for minimum rentals plus provisions for additional rent.

*Brooklyn Army Terminal Portfolio:* The Brooklyn Army Terminal (BAT) is an industrial property owned by the City that is leased to NYCEDC. 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.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**1. Background and Organization (continued)**

*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 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. The retained amounts as of June 30, 2017 and 2016 were \$5.5 million and \$4.7 million, respectively.

*42<sup>nd</sup> Street Development Project Portfolio:* This portfolio was established as a joint effort between the City and the State to redevelop the 42<sup>nd</sup> Street district into a vibrant office and cultural center. Ownership for all the properties was transferred from the State to the City by October 31, 2012. Pursuant to agreements between the State, the City and NYCEDC, NYCEDC assumed management and administrative responsibilities for all leases in connection with the 42<sup>nd</sup> Street Development Project (Note 14).

**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).

**GASB Pronouncements**

In March 2017, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The Corporation is evaluating the impact this standard will have on the Corporation's financial statements.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blended component units, postemployment benefits (pensions and other postemployment benefits), fair value measurement and application, and goodwill. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The Corporation is evaluating the impact this standard will have on the Corporation's financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. 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. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Provisions of this statement are effective for fiscal years beginning after December 15, 2019. The Corporation will evaluate the impact this standard will have on its financial statements.

**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 on-going 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 rental charges, and related administration 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.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**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 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.

**Property Rental Revenue**

Property rental revenue is recognized on a straight-line basis over the 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.

**Retainage Payable**

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

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**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**

Capital asset purchases for internal use by NYCEDC in excess of \$10,000 and consisting primarily of leasehold improvements and equipment are capitalized and depreciated or amortized using the straight-line method over the life of the lease or the estimated useful life assigned. The useful life of furniture and equipment varies from three to five years. Leasehold improvements have useful lives from 7 to 20 years. Vessels are depreciated over a useful life of 25 years.

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



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Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Tax Status**

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

**Reclassifications**

Certain reclassifications have been reflected to the prior year financial statements to conform to the current year's presentation.

**3. Contracts With The City of New York**

**NYCEDC Master Contract**

The City and NYCEDC have entered into the Master Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of industrial and commercial development within the City, including among others (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, and (5) managing and maintaining certain City-owned properties.

In partial consideration of the services rendered by NYCEDC pursuant to the Master Contract, NYCEDC may retain (1) net revenues resulting 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. For fiscal years ended June 30, 2017 and 2016, net revenues generated from such sources amounted to \$55 million and \$151 million, respectively. Income self-generated by NYCEDC, including interest earned on all cash accounts related to unrestricted operations and certain fees earned for services rendered that are not payable by the City, may be retained by NYCEDC under the Master Contract without regard to the contract cap.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**3. Contracts With The City of New York (continued)**

Pursuant to section 11.05 of the Master Contract, at any time upon written request of the Mayor of the City or his designee, NYCEDC must remit to the City assets having a fair market value up to the amount, if any, by which NYCEDC's unrestricted net position exceeds \$7 million. At the direction of the City, NYCEDC remitted \$6.6 million and \$32 million from its unrestricted net position in fiscal years 2017 and 2016, respectively, which are accounted for in the contract and other expenses to the City in the statements of revenues, expenses and changes in net position.

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 NYCEDC 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, 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 NYCEDC 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). For the fiscal years ended June 30, 2017 and 2016, the Reimbursed Amount was \$29 million and \$21 million, respectively. 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. The operations covered by the Maritime Contract generated approximately \$16.7 million in net revenues in both fiscal years 2017 and 2016.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**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 his 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.

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. In fiscal year 2017, to partially offset the cost of establishing and operating the NYC Ferry service (Note 12), this amount was not remitted to the City.

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 rental amounts collected from the 42<sup>nd</sup> Street Development Project. The amounts remitted from this source for fiscal year 2017 and fiscal year 2016 were \$21 million and \$43 million, respectively (Note 14).

**4. Grants**

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2017, grant revenue was \$454 million, of which \$423 million comprised reimbursement grants from and through the City, and the remaining \$32 million was provided by other sources. For the year ended June 30, 2016, grant revenue was \$569 million, of which \$551 million comprised reimbursement grants from and through the City.

Grant revenue earned during fiscal year 2017 consists of \$451 million for operating activities in the ordinary course of business, and \$3.9 million related to reimbursement of Superstorm Sandy expenses from the Federal Emergency Management Agency (FEMA) and the Federal Transit Administration (FTA).

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Notes to Financial Statements (continued)

**5. Land Held for Development**

NYCEDC may purchase land to help achieve the City's and NYCEDC's redevelopment goals. During fiscal year 2017, NYCEDC invested a total of \$19.5 million in several parcels of land including two parcels on Home Street in the Bronx, and a parcel on West 21<sup>st</sup> Street in Coney Island (Coney). In fiscal year 2010, NYCEDC purchased several other parcels of land in Coney to assist with the implementation of a comprehensive economic development plan to strengthen the Coney amusement area. The cost of these property acquisitions was \$105.3 million, for which NYCEDC received capital funds from the City. Upon acquisition, NYCEDC assumed the management of several leases on the properties, which were in effect. In addition, NYCEDC leased certain acquired parcels in furtherance of the goals and vision for Coney. The terms of both the assumed leases and the leases created by NYCEDC will end in 2027. NYCEDC may convey the sites to the City, for nominal consideration, at any time. These amounts are reflected as real estate obligations due to the City. At June 30, 2017 and 2016, the land held for development totaled \$132 million and \$113 million, respectively.

**6. Other Income**

The following table summarizes other income for the fiscal years ended June 30, 2017 and 2016 (dollars in thousands):

	<b>2017</b>	<b>2016</b>
Tenant reimbursements	\$ 7,620	\$ 7,155
Developer contributions	3,330	4,613
Interest income from loans	732	654
Loan/bad debt recovery income	1,145	1,346
Miscellaneous income – The Civic Contribution Agreement	9,074	–
Miscellaneous income - E. Harlem property	–	11,000
Miscellaneous income	8,206	14,985
Total	\$ 30,107	\$ 39,753

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Notes to Financial Statements (continued)

**7. Loans and Mortgage Notes Receivable**

NYCEDC has received installment notes from purchasers of certain real property sold by NYCEDC 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, 2017 and 2016, these mortgage notes totaled \$8.4 million and \$3.3 million, respectively, exclusive of interest receivable.

NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with their corporate mission and contractual obligations with the City. These loans were made to borrowers whose business operations are likely to provide employment generation, 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.

At June 30, 2017, the loan and mortgage notes portfolio consisted of 11 loans that bear interest at rates ranging from 0% to 9.50% and mature at various dates through October 1, 2046.

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

	<b>Principal Maturity</b>	<b>Interest</b>
Fiscal Year:		
2018	\$ 2,326	\$ 875
2019	1,150	748
2020	708	632
2021	729	612
2022	3,410	544
2023–2027	7,136	1,290
2028–2032	2,098	852
2033–2037	2,175	642
2038–2042	1,751	399
2043–2047	1,745	118
	<u>23,228</u>	<u>\$ 6,712</u>
Allowance for uncollectible amounts	(792)	
Loans and mortgage notes receivable, net	<u>\$ 22,436</u>	

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**7. Loans and Mortgage Notes Receivable (continued)**

NYCEDC's three largest loans in fiscal 2017 represent approximately 77% of its loan portfolio balance. The composition of the nine largest loans, comprising 99% of the entire portfolio, by industry type, at June 30, 2017, was as follows: real estate development 36% and other service 64%.

**8. Due to/From The City of New York**

NYCEDC is required to remit amounts to the City under the Master Contract (Note 3). The unremitted portion of such amounts at June 30, 2017 and 2016 amounted to \$8.6 million and \$11.3 million, respectively.

Pursuant to the Master Contract with the City, NYCEDC recorded total grants from and through the City in the amount of \$423 million and \$551 million during fiscal years 2017 and 2016, respectively, of which \$147 million and \$162 million in capital funds were unpaid by the City as of June 30, 2017 and 2016, respectively. These unpaid amounts are included in the accompanying statements of net position as due from the City.

**9. Capital Assets**

Changes in capital assets for the years June 30, 2015 to June 30, 2017, consisted of the following (dollars in thousands):

	June 30, 2015	Additions/ Depreciation	Disposals	June 30, 2016	Additions/ Depreciation	Ferry Boat Obligation	Disposals	June 30, 2017
Leasehold improvements	\$13,994	\$1,779	\$ -	\$15,773	\$1,133	\$ -	\$ -	\$16,906
Equipment	7,559	1,332	-2,359	6,532	8,944	-	-29	15,447
Computer software	996	33	-402	627	161	-	-	788
Work-in progress	6,866	7,715	-	14,581	-1,880	-	-	12,701
Capital assets	29,415	10,859	-2,761	37,513	8,358	0	-29	45,842
Less: Accumulated								
Depreciation/amortization	-9,621	-1,871	2,629	-8,863	-2,219	-467	29	-11,520
Capital assets, net	\$19,794	\$8,988	(\$132)	\$28,650	\$6,139	(\$467)	0	\$34,322

Depreciation and amortization of capital assets for the fiscal years ended June 30, 2017 and 2016 were \$2.2 million and \$1.9 million respectively.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**10. Deposits and Investments**

**Deposits**

At year-end, NYCEDC's cash balance was \$204 million. Of this amount, \$13 million was covered by federal deposit insurance. The remaining balance was uncollateralized as of June 30, 2017. Emergency funds on hand amounted to \$10,000 at June 30, 2017.

**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.

As of June 30, 2017 and 2016, the Corporation had the following investments. Investments maturities are shown for June 30, 2017, only (in thousands).

	<b>Fair Value</b>		<b>Investment Maturities at June 30, 2017 in Years</b>	
	<b>2017</b>	<b>2016</b>	<b>Less than 1</b>	<b>1 to 7</b>
Money market mutual funds	\$ 150,245	\$ 129,762	\$ 150,245	\$ –
Money market deposit account	5,251	5,250	5,251	–
FHLB notes	51,680	67,807	26,886	24,794
FHLMC notes	131,609	106,141	58,916	72,693
Commercial paper	22,637	–	22,637	–
FFCB notes	4,487	26,389	–	4,487
FNMA notes	25,609	18,184	997	24,612
Certificates of deposit	200	200	200	–
	<b>391,718</b>	353,733	<b>\$ 265,132</b>	<b>\$ 126,586</b>
Less amount classified as cash equivalents	<b>(155,496)</b>	(135,013)		
Total investments	<b>\$ 236,222</b>	<b>\$ 218,720</b>		

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**10. Cash and Investments (continued)**

*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; 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. US Agencies securities, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

At June 30, 2017 and 2016, cash, cash equivalents and investments of \$330 million and \$281 million, respectively, were restricted for use in connection with designated programs of NYCEDC.

*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, 2017, the Corporation's investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and the Federal Home Loan Mortgage Corporation (FHLMC) were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings.

*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 the Corporation. At June 30, 2017, the Corporation was not subject to custodial credit risk.



New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**10. Cash and Investments (continued)**

*Concentration of Credit Risk* – The Corporation places no limit on the amount the Corporation may invest in any United States of America government backed securities. The following table shows investments that represent 5% or more of total investments as of June 30, 2017 and 2016 (dollars in thousands).

<u>Issuer</u>	<u>Dollar Amount and Percentage of Total Investments</u>			
	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
Federal Home Loan Mortgage Corp.	\$ 131,609	55.71%	\$ 106,141	48.53%
Federal Home Loan Bank	51,680	21.88	67,807	31.00
Federal Farm Credit Bank	–	–	26,389	12.07
Federal National Mort. Assoc.	25,609	10.84	18,184	8.31

**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 income amounted to \$1.5 million and \$1.9 million for the fiscal years ended June 30, 2017 and 2016, respectively.

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Notes to Financial Statements (continued)

**11. Ground Leases and Properties Managed by NYCEDC on Behalf of The City**

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. NYCEDC in turn, leases or subleases the properties to commercial and industrial tenants. For ground leases, these agreements generally include restrictions on the use of the land to the construction or development of commercial, manufacturing or industrial facilities. All managed leases generally provide for minimum rentals 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.

The future minimum rental income as of June 30, 2017, payable by the tenants under the leases and subleases, all of which are accounted for as operating leases, are as follows:

Fiscal Year	Minimum Rental Income From BAT Tenants	Minimum Rental Income From Commercial Tenants	Minimum Rental Income From Maritime Tenants	Minimum Rental Income From 42nd St Development Proj. Tenants	Minimum Rental Income From Other Tenants	Total
2018	\$ 17,411	\$ 15,658	\$ 40,535	\$ 15,414	\$ 455	\$ 89,473
2019	16,118	15,448	39,966	15,413	455	87,400
2020	14,883	14,216	38,512	15,413	242	83,266
2021	13,116	13,309	36,351	15,413	180	78,369
2022	12,362	12,394	34,983	15,413	180	75,332
2023 - 2027	36,588	56,424	158,804	77,069	900	329,785
2028 - 2032	19,269	54,899	102,448	77,069	900	254,585
2033 - 2037	4,148	54,249	73,929	77,069	600	209,995
2038 - 2042	4,148	50,291	40,193	77,069	-	171,701
2043 - 2047	4,148	47,281	37,931	77,069	-	166,429
Thereafter	5,462	337,998	79,838	653,262	-	1,076,560
Total	<u>\$ 147,654</u>	<u>\$ 672,166</u>	<u>\$ 683,490</u>	<u>\$ 1,115,673</u>	<u>\$ 3,912</u>	<u>\$ 2,622,895</u>

The thereafter category includes 37 leases with expiration dates between July 1, 2048 and December 31, 2100.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**12. New York City Ferry System**

NYCEDC contracted with HNY Ferry, LLC (HNY) for the provision of citywide ferry services under the new NYC Ferry system. The system is to be made up of six routes that were designed to meet the transportation needs of neighborhoods traditionally underserved by public transportation. The NYC Ferry routes will be launched over a two year period. As part of the six routes, HNY assumed operational responsibility for the existing East River ferry route in December 2016 to incorporate that route into the NYC Ferry system. NYCEDC launched the East River route as part of the NYC Ferry system, and launched the first of the new NYC Ferry system routes, the Rockaway route, on May 1<sup>st</sup> 2017. Routes for South Brooklyn and Astoria, Queens were launched in June and August 2017, respectively. In 2018, the final two planned routes will begin for Soundview in the Bronx and the Lower East Side of Manhattan.

The net cost of these operations through June 30, 2017 totaled \$30 million which includes one-time system mobilization costs as well as initial operating costs for the Rockaway, East River, and South Brooklyn ferry routes. To offset the costs to NYCEDC for establishing and operating the ferry system, NYCEDC did not remit to the City \$16.7 million under the Maritime Contract or commercial rents received from the 42<sup>nd</sup> Street Development Project (Notes 3 and 14).

**13. Future Tenant Receivables**

Pursuant to the ground leases with certain Forest City companies, costs incurred to acquire the properties prior to execution of these leases are to be reimbursed by the developer. The total to be repaid for these properties is \$43.9 million, of which \$26.7 million is for Jay Street (One Metrotech Center), \$6.5 million is for Bridge Street (Two Metrotech Center), \$7 million is for Tech Place (11 Metrotech Center) and \$3.8 million is for Myrtle Avenue (Nine Metrotech Center). These receivables will be paid over an 18-year period and will be recognized as revenue over the life of the agreements.

**14. 42<sup>nd</sup> Street Development Project**

The 42<sup>nd</sup> Street Development Project (the Project) was conceived in the 1980s as a joint initiative of the City and the State to transform the properties in the 42<sup>nd</sup> Street area between 7<sup>th</sup> and 8<sup>th</sup> Avenues. For a number of years, NYCEDC has overseen the ground leases for the Project on behalf of the City. By October 2012, all title to the properties that comprise the Project transferred from the State to the City.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**14. 42<sup>nd</sup> Street Development Project (continued)**

Since January 1, 2011 and in accordance with section 11.05 of the Master Contract, NYCEDC has transferred to the City all payments in lieu of taxes, real estate taxes and substantially all rental revenues it collects on the Project, other than \$1 million per fiscal year for administrative services. Beginning in fiscal year 2017, to partially offset the costs to NYCEDC for establishing and operating the NYC Ferry service (Note 12), commercial rents from the Project were not remitted to the City. NYCEDC will continue to pass through to the City all payments in lieu of taxes and real estate taxes collected from the Project.

**15. Pension Plan**

NYCEDC maintains a 401(a) defined contribution pension plan, which 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 non-matching 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 years ended June 30, 2017 and 2016, amounted to \$4.4 million and \$3.3 million, respectively, and is included in personnel services in the accompanying statements of revenues, expenses, and changes in net position.

**16. 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 (OPEB), 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 NYCEDC, and (iii) all active employees who started working prior to January 1, 2011 with at least 10 years as of that date or will be age 60 or older by June 30, 2023. NYCEDC is not required to and does not issue a publicly available financial report for the plan.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**16. Postemployment Benefits Other Than Pensions (continued)**

Benefit provisions and contribution requirements for the plan are administered and managed by NYCEDC, and 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 benefit pay a premium amount equal to what a current NYCEDC employee pays, based on his or her 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. 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. Employer contributions are made on a pay-as-you-go basis.

NYCEDC's annual OPEB cost for the plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. NYCEDC's annual OPEB cost for the current year and the related information for the plan are as follows (dollars in thousands):

	<b>2017</b>	<b>2016</b>
Annual required contribution	\$ 2,573	\$ 2,496
ARC adjustment	(1,290)	(2,424)
Interest on net OPEB obligation	725	706
Annual OPEB cost	<b>2,008</b>	778
Contributions made	(436)	(542)
Increase in net OPEB obligation	<b>1,572</b>	236
Net OPEB obligation – beginning of year	<b>20,719</b>	20,483
Net OPEB obligation – end of year	<b>\$ 22,291</b>	\$ 20,719

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**16. Postemployment Benefits Other Than Pensions (continued)**

NYCEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 were as follows (dollars in thousands):

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
<b>June 30, 2017</b>	<b>\$ 2,008</b>	<b>21.71%</b>	<b>\$ 22,291</b>
June 30, 2016	778	69.67%	\$ 20,719
June 30, 2015	778	59.25%	20,483

The actuarial valuation date is June 30, 2016. The actuarial accrued liability for benefits as of this date was \$28.8 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$45.5 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 63.4%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between NYCEDC and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The impact of the National Health Care Reform Act has been included in the valuation as of June 30, 2017.

For the June 30, 2017 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate and an annual healthcare cost trend rate of 9% for non-Medicare and 7.9% for Medicare and grading down to an ultimate rate of 4.75% for both. The unfunded actuarial accrued liability is being amortized over a 30-year closed period on a level-dollar basis. The remaining amortization period at June 30, 2017, was 23 years.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**17. Blended Component Unit – City Lights, Captive Insurance**

In 2016, NYCEDC established the City Lights Insurance Company (City Lights or 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, 2017, CLIC had no investments and maintained a cash balance of approximately \$1 million with JP Morgan Chase.

For the initial year of operation, CLIC covered two lines of insurance, cyber insurance and additional terrorism insurance. Effective July 1, 2016, CLIC began directly providing excess cyber coverage to NYCEDC and its affiliates, with limits of \$9 million per loss and in the aggregate, in excess of \$1 million of underlying insurance and self-insured retentions. CLIC also began directly providing terrorism insurance for acts of Nuclear, Biological, Chemical or Radiological terrorism (NBCR), with limits of \$6 million per occurrence and in the aggregate for any certified act of terrorism. This policy covers 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 83% (decreasing by 1% per calendar year until equal to 80%) if the total loss affecting all involved insurers exceeds \$100 million.

The financial results for City Lights for the year ended June 30, 2017 are set forth below.

**Statements of Net Position**

The following table summarizes CLIC's financial position at June 30, 2017 (dollars in thousands):

	<u>2017</u>
Total assets	\$ 1,042
Total liabilities	<u>14</u>
Total net position	<u>\$ 1,028</u>

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**17. Blended Component Unit – City Lights, Captive Insurance (continued)**

**Statement of Revenues, Expenses and Changes in Net Position**

The following table summarizes CLIC's change in net position for the fiscal years ended June 30, 2017 (dollars in thousands):

	<u>2017</u>
Operating revenues	\$ 127
Operating expenses	<u>99</u>
Operating income	28
Change in net position	<u>28</u>
Total net position, beginning of year	<u>1,000</u>
Total net position, end of year	<u>\$ 1,028</u>

**18. 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 assisting the City with leasing and selling certain properties. No management fees were established between NYCEDC and LDC in the current fiscal year. Instead, NYCEDC provides LDC operating grant funding for LDC's general and administrative expenses. For the periods ended June 30, 2017 and 2016, \$1,015 and \$20,514, respectively, was provided to LDC for such expenses.



New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**18. Other Related-Party Transactions (continued)**

**New York City Industrial Development Agency (IDA)**

NYCEDC is responsible for administering the economic development programs of IDA. For the fiscal years ended June 30, 2017 and 2016, NYCEDC earned management fee income from IDA of \$3.3 million and \$4 million, respectively. In fiscal year 2017, a contingency fee of \$34,626 was earned by NYCEDC from IDA's recapture of benefits from one project company. Such amounts are included in fee income in NYCEDC's accompanying statements of revenues, expenses and changes in net position. At June 30, 2017 and 2016, the amounts due from IDA totaled \$2.2 million and \$866,900, respectively.

**Build NYC Resource Corporation (Build NYC)**

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an agreement between NYCEDC and Build NYC, NYCEDC provides management services to Build NYC and administers Build NYC's financial books and records. For the fiscal years ended June 30, 2017 and 2016, NYCEDC earned management fee income from Build NYC of \$3.3 million and \$2 million respectively.

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

Pursuant to an agreement between NYCEDC and The Trust for Cultural Resources of New York City (TCR), NYCEDC collected fees from TCR for management services. For both fiscal year ended June 30, 2017 and 2016, NYCEDC earned management fees of \$310,000 from TCR.

**New York City Neighborhood Capital Corporation (NCC)**

NCC is 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 allocate federal tax credits. NYCEDC provided full management services to NCC.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**19. Accounting for Derivatives and Fuel Hedging Activity**

NYCEDC, on behalf on the City, contracted with HNY for the provision of citywide ferry services under the new NYC Ferry system. HNY also assumed the operations of the existing East River Ferry under this contract in December 2016. NYCEDC is responsible for the cost of up to 3 million gallons of ultra-low sulfur diesel fuel per annum under the six year operating agreement with HNY. Although the contract caps the number of gallons NYCEDC is responsible for, the price per gallon is subject to market conditions. Consequently, NYCEDC has been 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 the NYC Ferry system.

During the fiscal year, NYCEDC purchased 115 futures contracts for ultra-low sulfur diesel and as of year-end, 114 of these contracts were outstanding. These contracts cover a percentage of the fuel commitment for the first three years of the operating contract period. NYCEDC enters into these fuel hedging instruments for the sole purpose of controlling fuel cost and providing budgetary certainty. NYCEDC is represented in these transactions by a Qualified Independent Representative (QIR).

The following risks are generally associated with futures contracts:

*Basis risk:* a systemic risk that arises from variations between hedge/futures/relative price and cash/spot price of the hedged underlying at any given point of time. However, NYCEDC uses the NY harbor low-sulfur diesel futures pricing index as the reference for both the futures contracts as well as 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 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.

As of June 30, 2017, the fair values of NYCEDC's commodity future contracts, based on average daily rates are listed below. These contracts fall within the "Level 2" category investments of the fair value hierarchy.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**19. Accounting for Derivatives and Fuel Hedging Activity (continued)**

Notional Amount (Gallons)	No. of Contracts	Maturity Date	Fair Value	
			6/30/2017	Price/Gallon
126,000	3	Aug-17	\$ (23,171)	\$1.67
168,000	4	Sep-17	(26,552)	\$1.65
168,000	4	Oct-17	(18,732)	\$1.61
168,000	4	Nov-17	(18,593)	\$1.62
126,000	3	Dec-17	(12,260)	\$1.61
126,000	3	Jan-18	(11,079)	\$1.61
126,000	3	Feb-18	(8,161)	\$1.60
84,000	2	Mar-18	(5,233)	\$1.60
126,000	3	Apr-18	(2,881)	\$1.55
126,000	3	May-18	(1,752)	\$1.54
168,000	4	Jun-18	3,415	\$1.51
210,000	5	Jul-18	2,785	\$1.53
210,000	5	Aug-18	(168)	\$1.55
210,000	5	Sep-18	(4,032)	\$1.57
210,000	5	Oct-18	(4,410)	\$1.58
210,000	5	Nov-18	(9,156)	\$1.61
168,000	4	Dec-18	(6,132)	\$1.61
168,000	4	Jan-19	(11,911)	\$1.65
168,000	4	Feb-19	(11,458)	\$1.65
168,000	4	Mar-19	(14,616)	\$1.67
210,000	5	Apr-19	(13,755)	\$1.64
210,000	5	May-19	(6,405)	\$1.60
210,000	5	Jun-19	(315)	\$1.58
210,000	5	Jul-19	4,620	\$1.56
210,000	5	Aug-19	8,820	\$1.55
210,000	5	Sep-19	8,190	\$1.56
210,000	5	Oct-19	11,445	\$1.56
84,000	2	Nov-19	4,452	\$1.57
<b>Total Fair Value</b>			<b>\$ (167,046)</b>	

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**20. Commitments and Contingencies**

NYCEDC has an aggregate contractual commitment of \$186 million 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 project.

Additionally, NYCEDC rents office space under a lease agreement expiring in fiscal year 2020. The future minimum rental commitments as of June 30, 2017, required under the operating lease are as follows (dollars in thousands):

Fiscal year:	
2018	\$ 7,599
2019	7,599
2020 (2 months)	1,267
	<u>\$ 16,465</u>

Rent expense for office space amounted to \$8.7 million and \$8.5 million for fiscal years ended June 30, 2017 and 2016, respectively.

NYCEDC, and in certain situations as co-defendant with the City, IDA, Build NYC 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.

NYCEDC was the co-trustee along with 42<sup>nd</sup> 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 42<sup>nd</sup> Street Development Project. The trustees jointly extended a loan to the New Amsterdam Development Corporation (NADC or the borrower) 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 is ranged between 3% and 3.5%. NYCEDC's portion of the loan, \$12.8 million, was reimbursed to NYCEDC by the City. The conduit loan payment constitutes both a receivable from NADC and a payable to the City. For financial statement purposes, both receivables and payables are netted against each other and are not presented separately.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**20. Commitments and Contingencies (continued)**

The Corporation's Finance Program is designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for the City. In this regard, NYCEDC acts as a guarantor under two loan guarantee programs: the NYC Capital Access Revolving Loan Guarantee Program and the Immigrant Bridge Loan Fund. The loan guarantee programs enable qualified businesses to gain access to bank loans or lines of credit.

NYCEDC guarantees can be up to 35% of the loan amount. As of June 30, 2017, the Corporation's aggregate commitment for these programs is \$6.7 million, of which \$1.7 million is currently outstanding and can be called upon.

NYCEDC is party to a funding agreement among the 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 is required to repay the \$18 million no later than April 5, 2020. NYCEDC's responsibilities in this transaction are limited to redistributing the repayment to the City and ESDC upon collection from Columbia. This is a conduit loan payment from Columbia to the City and ESDC. This transaction is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

**21. Risk Management**

NYCEDC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NYCEDC carries commercial insurance coverage for these risks.

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**22. 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: net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets includes capital assets net of accumulated depreciation used in NYCEDC's operations. 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. 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.

**Changes in Net Position**

The changes in net position during fiscal years 2017 and 2016 are as follows (in thousands):

	<b>Restricted</b>	<b>Unrestricted</b>	<b>Net Investment in Capital Assets</b>	<b>Total</b>
Net position, June 30, 2015	\$83,574	\$222,380	\$19,795	\$325,749
(Decrease) increase in net position	11,570	88,920	-	100,490
Capital assets additions	-	-10,726	10,726	0
Retirements/depreciation	-	1,871	-1,871	0
Net position, June 30, 2016	\$95,144	\$302,445	\$28,650	\$426,239
Increase (decrease) in net position	<b>2,225</b>	<b>3,905</b>	-	<b>6,130</b>
Capital assets additions	-	-7,891	7,891	0
Retirements/depreciation	-	2,219	-2,219	0
Net position, June 30, 2017	<b>\$97,369</b>	<b>\$300,678</b>	<b>\$34,322</b>	<b>\$432,369</b>

New York City Economic Development Corporation  
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Notes to Financial Statements (continued)

**23. Superstorm Sandy**

Superstorm Sandy (Sandy) made landfall in New York City on October 29, 2012. The severe and widespread water and wind damage affected many individuals, businesses and organizations. Many City assets that are managed, maintained, and/or leased by NYCEDC were directly impacted by Sandy. Affected assets primarily included waterfront facilities, wharfs, and public markets, all of which are managed by NYCEDC pursuant to the Master and Maritime Contracts. NYCEDC has and will continue to remediate, clean up, and restore these properties to pre-storm conditions. Property and flood insurance coverage were in effect for certain properties, and claims payments were received from insurers and recorded as non-operating revenues. Related expenses were recorded as non-operating expenses. For the years ended June 30, 2017 and 2016, repairs and other expense, net of insurance proceeds totaled of \$2.8 million and \$3.3 million respectively. Additional non-operating revenues of \$3.9 million and \$3.4 million for years ended June 30, 2017 and 2016, respectively, have been recognized pursuant to federal reimbursable grants from the FTA and FEMA.

The following table summarizes Superstorm Sandy net (income) expense at June 30, 2017 and 2016 and total amount from October 29, 2012 to June 30, 2017 (dollars in thousands):

	Years Ended June 30		From October 29, 2012 To June 30, 2017
	2017	2016	Total
Repairs and other expenses – Sandy	\$ 2,761	\$ 3,349	\$ 48,113
Less: Insurance proceeds	–	–	(28,831)
	<b>2,761</b>	3,349	19,282
Less: Reimbursable grants-FEMA	<b>(3,830)</b>	(3,318)	(12,812)
Less: Reimbursable grants-FTA	<b>(60)</b>	(56)	(6,244)
Less: Reimbursable grants-State	–	–	(16)
Net Sandy-related (income) expenses	<b>\$ (1,129)</b>	\$ (25)	\$ 210

## Required Supplementary Information



New York City Economic Development Corporation  
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Schedule of Funding Progress for the Retiree Health Care Plan  
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
June 30, 2016	\$ –	\$ 28,812	\$ 28,812	–%	\$ 45,461	63.4%
June 30, 2014 <sup>(2)</sup>	–	28,471	28,471	–%	37,972	75.0%
June 30, 2012 <sup>(2)</sup>	–	23,502	23,502	–%	35,243	66.7%
June 30, 2010 <sup>(1)(2)</sup>	–	23,960	23,960	–%	34,542	69.4%

<sup>(1)</sup> Effective July 1, 2012, the plan was amended to include revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. These amendments significantly reduced the number of current and future employees eligible for this benefit and resulted in an overall reduction in the AAL.

<sup>(2)</sup> For the June 30, 2014, actuarial valuation, the actuarial assumptions includes a 3.5% discount rate and an annual healthcare cost trend rate of 8.5% for non-Medicare and 6.5% for Medicare, grading down to an ultimate rate of 4.5% for both. For the June 30, 2012, actuarial valuation, the actuarial assumptions includes a 3.5% discount rate and an annual healthcare cost trend rate of 9.5% for non-Medicare and 7.5% for Medicare, grading down to an ultimate rate of 4.5% for both. For the previous actuarial valuations, the actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0%, grading down to an ultimate rate of 5.0%.

## Supplementary Information

New York City Economic Development Corporation  
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Combining Schedule of Revenues, Expenses, and Changes in Net Position (in thousands)

Description	Unrestricted					Restricted					Total Restricted	Year Ended June 30	
	Total Unrestricted	Brooklyn Army	Maritime Fund	Other Properties	Finance Programs	Capital Programs	Public Purpose & Other Fund	CDBG Fund	Apple 42nd Street	Total Restricted		2017	2016
Operating revenues:													
Grants	\$ 71,598	\$ -	\$ -	\$ -	\$ -	\$ 363,673	\$ -	\$ 15,256	\$ -	\$ 378,929	\$ 450,527	\$ 565,900	
Property rentals	30,748	21,421	75,598	5,100	-	-	-	-	46,279	148,398	179,146	191,181	
Fee income	10,952	39	365	3	-	-	58	-	77	542	11,494	14,964	
Other income	12,551	4,240	7,829	82	206	-	3,611	-	1,588	17,556	30,107	39,753	
Real estate sales, net	7,183	-	-	-	-	-	-	-	-	-	7,183	96,976	
<b>Total Operating revenues</b>	<b>133,032</b>	<b>25,700</b>	<b>83,792</b>	<b>5,185</b>	<b>206</b>	<b>363,673</b>	<b>3,669</b>	<b>15,256</b>	<b>47,944</b>	<b>545,425</b>	<b>678,457</b>	<b>908,774</b>	
Operating expenses:													
Project costs	90,359	-	-	-	-	-	1,831	20,079	-	21,910	112,269	124,597	
Program costs	-	-	-	-	329	348,498	-	-	-	348,827	348,827	443,346	
Property rentals and related operating expenses	7,323	11,931	30,333	4,437	-	-	-	-	2,725	49,426	56,749	64,805	
Ferry related expenses	30,009	-	-	-	-	-	-	-	-	-	30,009	-	
Personal Services	26,688	968	33,726	-	141	-	212	-	-	35,047	61,735	53,800	
Office rent	8,717	-	-	-	-	-	-	-	-	-	8,717	8,566	
Contract and other expenses to the City	6,619	-	-	31	-	15,175	-	-	20,665	35,871	42,490	102,759	
Other general expenses	10,419	559	3,045	1	28	-	106	-	-	3,739	14,158	12,235	
<b>Total operating expenses</b>	<b>180,134</b>	<b>13,458</b>	<b>67,104</b>	<b>4,469</b>	<b>498</b>	<b>363,673</b>	<b>2,149</b>	<b>20,079</b>	<b>23,390</b>	<b>494,820</b>	<b>674,954</b>	<b>810,108</b>	
<b>Operating income</b>	<b>(47,102)</b>	<b>12,242</b>	<b>16,688</b>	<b>716</b>	<b>(292)</b>	<b>-</b>	<b>1,520</b>	<b>(4,823)</b>	<b>24,554</b>	<b>50,605</b>	<b>3,503</b>	<b>98,666</b>	
Nonoperating revenues (expenses):													
Income (Loss) from Investments	1,225	-	30	2	169	-	110	-	-	311	1,536	1,930	
Grants - Superstorm Sandy	3,891	-	-	-	-	-	-	-	-	-	3,891	3,374	
Emergency repairs and other - Superstorm Sandy, net of insurance proceeds	(2,761)	-	-	-	-	-	-	-	-	-	(2,761)	(3,349)	
Non-operating income/(expense)	(39)	-	-	-	-	-	-	-	-	-	(39)	(132)	
<b>Total nonoperating revenues (expenses):</b>	<b>2,316</b>	<b>-</b>	<b>30</b>	<b>2</b>	<b>169</b>	<b>-</b>	<b>110</b>	<b>-</b>	<b>-</b>	<b>311</b>	<b>2,627</b>	<b>1,823</b>	
<b>Income before transfers</b>	<b>(44,786)</b>	<b>12,242</b>	<b>16,718</b>	<b>718</b>	<b>(123)</b>	<b>-</b>	<b>1,630</b>	<b>(4,823)</b>	<b>24,554</b>	<b>50,916</b>	<b>6,130</b>	<b>100,489</b>	
Interfund transfers	48,691	(12,242)	(16,718)	-	-	-	-	4,823	(24,554)	(48,691)	-	-	
<b>Change in net position</b>	<b>3,905</b>	<b>-</b>	<b>-</b>	<b>718</b>	<b>(123)</b>	<b>-</b>	<b>1,630</b>	<b>-</b>	<b>-</b>	<b>2,225</b>	<b>6,130</b>	<b>100,489</b>	
<b>Total net position, beginning of year</b>	<b>331,095</b>	<b>500</b>	<b>7,000</b>	<b>4,738</b>	<b>54,865</b>	<b>3,512</b>	<b>24,529</b>	<b>-</b>	<b>-</b>	<b>95,144</b>	<b>426,239</b>	<b>325,750</b>	
<b>Total net position, end of year</b>	<b>\$ 335,000</b>	<b>\$ 500</b>	<b>\$ 7,000</b>	<b>\$ 5,456</b>	<b>\$ 54,742</b>	<b>\$ 3,512</b>	<b>\$ 26,159</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 97,369</b>	<b>\$ 432,369</b>	<b>\$ 426,239</b>	

# Government Auditing Standards Section



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

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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NYCEDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NYCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the NYCEDC'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 may exist that have not been identified.



## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

*Ernst + Young LLP*

September 29, 2017