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, 2019 and 2018
With Report of Independent Auditors

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

Financial Statements, Required Supplementary Information,
and Supplementary Information

Years Ended June 30, 2019 and 2018

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I. Financial Section

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Report of Independent Auditors

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

Report on the 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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise 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, 2019 and 2018, 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, the schedule of changes in net OPEB liability and related ratios, and the schedule of OPEB contributions, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 audits 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 schedule of revenues, expenses, and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 30, 2019, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NYCEDC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYCEDC's internal control over financial reporting and compliance.

Ernst & Young LLP

September 30, 2019

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

Management's Discussion and Analysis

June 30, 2019 and 2018

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, 2019 and 2018. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2019 Financial Highlights

Net Position: $562 million

- Cash, cash equivalents and investments decreased $87 million (or 15%)
- Tenant receivables, net decreased $11 million (or 14%)
- Capital assets, net, increased $197 million (or >100%)
- Due from the City, net increased $31 million (or 47%)
- Accounts payable and accrued expenses increased $18 million (or 9%)
- Tenant security and deposits payables decreased $26 million (or 37%)
- Other liabilities increased $24 million (or >100%)

Change in Net Position: $114 million increase

- Property rentals increased $16 million (or 7%)
- Other income decreased $7 million (or 17%)
- Property rental expenses increased $21 million (or 24%)
- Ferry related expenses, net increased $9 million (or 21%)
- Contract and other expenses to the City increased $28 million (or 92%)
- Capital contribution increased $165 million (or 100%)

Overview of the Basic Financial Statements

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

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

Financial Analysis of the Corporation

Condensed Statements of Net Position

The Corporation adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of July 1, 2016. As a result, the Corporation's Net Position as of July 1, 2016, and the Statement of Revenues, and Expenses and Changes in Net Position for June 30, 2017, have been restated to reflect the required adjustments.

The following table summarizes NYCEDC's financial position at June 30, 2019, 2018, and 2017 (dollars in thousands) and the percentage changes between June 30, 2019 and 2018:

	2019	2018	2017 (Restated)	% Change 2019–2018
Current assets	**$ 618,440**	$ 686,251	$ 599,028	(10)%
Non-current assets	**592,763**	414,384	474,433	43%
Total assets	**1,211,203**	1,100,635	1,073,461	10%
Deferred outflows of resources	**1,591**	–	167	100%
Current liabilities	**275,082**	261,803	248,257	5%
Non-current liabilities	**372,751**	389,057	391,522	(4)%
Total liabilities	**647,833**	650,860	639,779	(0)%
Deferred inflows of resources	**3,209**	1,526	–	110%
Net position:				
Restricted	**63,017**	102,543	107,506	(39)%
Unrestricted	**263,150**	307,576	292,021	(14)%
Net investment in capital assets	**235,585**	38,130	34,322	518%
Total net position	**$ 561,752**	$ 448,249	$ 433,849	25%

During fiscal year 2019 total assets increased $110.6 million or 10%, primarily due to a net increase of $197.5 million in capital assets, consisting of $147.1 million in vessel acquisition costs for the operation of NYC Ferry services and a $46.3 million increase in leasehold improvements for NYCEDC's new headquarters at One Liberty Plaza. In addition, a net receivable increase of $30.6 million in Due from the City primarily resulted from a $64.7 million receivable for vessel acquisitions, offset by an $11.3 million decrease in other payables to the City. These increases in assets were offset by a $87.0 million decrease in cash, cash equivalents, and investments largely used to fund the acquisition of the vessels and the construction of NYCEDC's new offices. Tenant receivables also decreased $10.5 million due to the collection of prior year recognized revenue.

Total liabilities decreased $3.0 million or less than 1%. Tenant security and escrow deposits payable decreased $26.4 million, mainly due to the close out of multiple projects and the refund of certain escrow deposits to developers. The refunds consist of $10.9 million for the Coney Island Amphitheater, $9.1 million for Seward Park and $6.0 million for the Battery Maritime Building. This decrease was offset by a $21.6 million increase in other liabilities primarily due to the lease incentive landlord contribution of $18.7 million provided to NYCEDC for leasehold improvements at the new headquarters. The lease incentive construction credit has been straight-lined and will be recognized over the life of the lease as an offset to rent expense through 2039.

The Corporation's overall net position during fiscal year 2019 increased $113.5 million or 25% as a result of the fiscal year operating activities. This increase consisted of a $197.5 million increase in net investment in capital assets which is offset by a $56.2 million decrease in restricted net position and a $27.8 million decrease in unrestricted net position.

Prior Year

During fiscal year 2018 total assets increased $27 million or 3%, primarily due to increases in certain amounts receivable. $13 million in tenant receivables was recognized from cruise operations at the Manhattan Cruise Terminal.

Other receivables increased $14 million, mainly due to the initiation of a $7 million loan program to support certified minority and women owned business enterprises and undercapitalized small businesses. In addition, NYCEDC realized $4.5 million in shared commissions from the brokerage firm that coordinated a new lease agreement for NYCEDC's office space (see Note 20).

Total liabilities increased $11 million or 2%. Unearned revenues increased $16 million and included a real estate transaction in which the purchaser agreed to pre-pay $7 million for future maintenance expenses of 420 Albee Square, in Brooklyn. Amounts due to the City increased $10 million mainly due to an increase in city funding provided for the above-noted loan program and accounts payable and accrued expenses increased $15 million. These increases were partially offset by a $19 million decrease in obligation for OPEB associated with the newly adopted GASB 75 and a $12 million reduction in deposits received on real estate sales which had been pending.

The Corporation's overall net position during fiscal year 2018 increased $14.4 million or 3% over the restated net position for fiscal year 2017. This increase consisted of a $19.4 million increase in unrestricted net position and net investment in capital assets, and was partially offset by a $5 million decrease in restricted net position.

Operating Activities

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

The following table summarizes NYCEDC's change in net position for the fiscal years ended June 30, 2019, 2018, and 2017 (dollars in thousands) and the percentage changes between fiscal years 2019 and 2018:

	2019	**2018**	**2017 (Restated)**	**% Change 2019–2018**
Operating revenues:				
Grants	**$ 468,806**	$ 488,174	$ 450,527	(4)%
Real estate sales, property rentals	**239,733**	223,080	186,329	7%
Fees and other income	**45,643**	49,867	41,601	(8)%
Total operating revenues	**754,182**	761,121	678,457	(1)%
Operating expenses:				
Project and program costs	**487,600**	490,021	461,096	0%
Property rental expenses	**108,355**	87,566	56,749	24%
Ferry related expenses, net	**52,950**	43,932	30,009	21%
Personnel services	**66,873**	64,242	59,039	4%
Contract expenses to the City	**57,657**	30,105	42,490	92%
Office rent and other expenses	**41,046**	35,256	22,875	16%
Total operating expenses	**814,481**	751,122	672,258	8%
Operating income	**(60,299)**	9,999	6,199	(703)%
Total non-operating income (expenses)	**9,151**	4,401	2,627	108%
Change in net position before capital contributions	**(51,148)**	14,400	8,826	(455)%
Capital contribution	**164,651**	–	–	100%
Change in net position	**113,503**	14,400	8,826	688%
Total net position, beginning of year	**448,249**	433,849	425,023	3%
Total net position, end of year	**$ 561,752**	$ 448,249	$ 433,849	25%

During fiscal year 2019, operating revenues decreased $6.9 million or 1%, primarily due to a $19.4 million decrease in reimbursable grants and a $6.7 million decrease in other income, all of which was partially offset by a $16.7 million increase in property rentals. The decrease in reimbursable grants is primarily due to an overall increase in NYCEDC self-funded projects including life science and other initiatives. Property rental revenue increased by $16.6 million mainly due to additional rent recognized for properties at Forest City Pierrepoint amounting $14 million, Atlantic Center amounting to $7 million and PILOT assessment increases of $3 million for properties in the 42nd Street Development Project portfolio. These amounts were offset by a decrease in revenue from Brooklyn Renaissance Plaza of $7 million as they refinanced facilities in fiscal year 2018 and $22 million from Carnival Cruise Corporation as prior year revenue recognized for operations at Manhattan Cruise Terminal included retroactive passenger revenues.

Operating expenses during fiscal year 2019 increased $63.4 million. Property rental and related operating expenses increased by $20.8 million due to additional maintenance and repair costs at various leased properties of approximately $6 million, a reacquired leased space payment of $4 million, additional incentive fees of $3 million paid to the operator of the Manhattan Cruise Terminal and increased PILOT assessments for properties in the 42nd Street Development Project portfolio. Ferry related expenses increased $9.0 million due to the operation of all initially planned routes in the ferry system for ten out of twelve months of the fiscal year. Contract expenses to the City increased $27.6 million due to an additional payment of $30 million made to the City at the City's request. Office rent expenses increased by $5.9 million or 45% due to the lease commencement for NYCEDC's new offices at One Liberty Plaza.

Accordingly, operating income decreased by $70.3 million as compared to fiscal year 2018 with the Corporation recognizing a net operating loss of $60.3 million during fiscal year 2019.

Non-Operating Activities

Total non-operating revenues for fiscal years 2019 and 2018 were $9.2 million and $4.4 million, respectively. The fiscal year 2019 total was primarily due to investment income which was a $4.6 million increase from fiscal year 2018.

Capital Contributions

Primarily driven by NYCEDC's ownership of ferry vessels acquired with City funding, NYCEDC will now recognize capital contributions in its changes in net position. Capital contributions are realized at the time NYCEDC incurs costs for the acquisition and/or construction of City-funded capital assets managed and used by NYCEDC in its operations. During fiscal year 2019, NYCEDC recognized $164.7 million of capital contributions, of which $153.1 million was for vessel acquisitions for the NYC Ferry system, and $9.1 million relates to leasehold improvements for the build out of space occupied by NYC Small Business Services within NYCEDC's newly leased office space.

Net Position

The Corporation's net operating loss for the fiscal year of $60.3 million has been offset by capital contributions of $164.7 million and non-operating revenue of $9.2 million. As a result, the Corporation recognized an increase in net position of $113.5 million during fiscal year 2019. This constitutes an increase of $99.1 million or 688% as compared with fiscal year 2018, mainly driven by the recognition of capital contributions.

Prior Year

During fiscal year 2018, operating revenues increased $82.6 million or 12%, primarily due to a $38 million increase in reimbursable grants, a $35 million increase in property rental revenue and a $10 million increase in other income. The increase in reimbursable grants is primarily the result of increased activities at the Coney Island West project and for the NYC Ferry program, as well as priority flood mitigation projects on behalf of the City's H+H Corporation (previously Health and Hospitals Corp). Property rental revenue increased by $35 million due to passenger volume revenue recognized from Carnival Cruise Corporation's operations at the Manhattan Cruise Terminal, and from a tenant's refinancing of the facilities at the Brooklyn Renaissance Plaza. Other income increased $10 million, mainly due to the transfer of development rights at 420 Albee Square in Brooklyn.

Operating expenses during fiscal year 2018 increased $78.9 million. Program and project costs increased by $29 million primarily due to the grant funded projects noted above. Property rental and related operating expenses increased by $31 million which included $4.6 million for a restructured long term agreement with the Hunts Point Meat Market, $4.2 million in pass-through rental revenues for NYC Parks Department, and $16.7 million in general operating increases for various repairs, maintenance and professional service expenses for the property portfolios. Ferry related expenses increased $14 million due to several factors including sustaining the first full year of ferry services, the launch of the Astoria route and preparation for the Soundview and Lower East Side routes, and the overall increase in services to meet unexpected demand.

Accordingly, operating income increased by $3.8 million from fiscal year 2017 with the Corporation recognizing total operating income of $10.0 million during fiscal year 2018.

Non-Operating Activities

Total non-operating revenues for fiscal years 2018 and 2017 were $4.4 million and $2.6 million, respectively. The fiscal year 2018 total was all due to investment income which was a $2.9 million increase from fiscal year 2017.

Net Position

The Corporation recognized an increase in net position of $14.4 million during fiscal year 2018. This constitutes an increase of $5.6 million or 3% as compared with fiscal year 2017.

Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2019, 2018 and 2017 (dollars in thousands) and the percentage change between June 30, 2019 and 2018:

	2019	2018	2017	% Change 2019–2018
Leasehold improvements	**$ 28,947**	$ 26,539	$ 16,906	9%
Equipment and computer software	**15,974**	10,750	10,235	49%
Vessels	**132,308**	6,000	6,000	2105%
Work-in progress - vessels	**20,754**	–	–	100%
Work-in progress – other	**58,640**	9,821	12,701	497%
	256,623	53,110	45,842	383%
Less accumulated depreciation and amortization	**(21,038)**	(14,980)	(11,520)	40%
Net capital assets	**$ 235,585**	$ 38,130	$ 34,322	518%

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, One Liberty Plaza, New York, NY 10006, 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 2019	June 30 2018
Assets		
Current assets:		
Cash and cash equivalents – current	**$ 60,620**	$ 92,080
Restricted cash and cash equivalents – current	**142,191**	124,844
Unrestricted investments	**55,387**	111,515
Restricted investments	**40,826**	41,482
Current portion of loans and mortgage notes receivable	**6,300**	5,518
Due from the City, including $191,577 and $163,411, respectively, under contracts with the City	**235,363**	215,672
Tenant receivables, net of allowance for uncollectible amounts of $30,136 and $28,817, respectively	**62,790**	73,241
Prepaid expenses and other current assets	**3,158**	3,607
Other receivables	**11,805**	18,292
Total current assets	**618,440**	686,251
Non-current assets:		
Restricted cash and cash equivalents	**145,724**	154,844
Unrestricted investments	**39,897**	54,721
Restricted investments	**17,301**	9,544
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of $930 and $866 respectively)	**14,832**	21,623
Capital assets, net	**235,585**	38,130
OPEB asset	**1,984**	–
Land held for development, at cost	**132,387**	132,387
Other assets	**5,053**	3,135
Total non-current assets	**592,763**	414,384
Total assets	**1,211,203**	1,100,635
Deferred outflows of resources		
Derivative instrument – fuel futures	**1,591**	–
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses, including $92,713 and $105,744, respectively, under contracts with the City	**209,434**	191,314
Deposits received on pending sales of real estate	**12,538**	13,116
Due to the City: real estate obligations and other	**12,811**	18,968
Unearned revenue	**34,786**	34,885
Other liabilities	**5,513**	3,520
Total current liabilities	**275,082**	261,803
Non-current liabilities:		
Tenant security and escrow deposits payable	**45,019**	71,426
Net OPEB liability	**–**	1,563
Due to the City: real estate obligations	**125,020**	130,154
Unearned revenue, including unearned grant revenue of $26,196 and $28,154, respectively, under contracts with the City	**135,645**	136,582
Retainage payable	**43,338**	47,158
Other liabilities	**23,729**	2,174
Total non-current liabilities	**372,751**	389,057
Total liabilities	**647,833**	650,860
Deferred inflows of resources		
Deferred inflows of resources related to OPEB	**3,209**	250
Deferred inflows of resources related to fuel futures	**–**	1,276
Total deferred inflows of resources	**3,209**	1,526
Net position:		
Restricted by law or under various agreements	**63,017**	102,543
Unrestricted	**263,150**	307,576
Net investment in capital assets	**235,585**	38,130
Total net position	**$ 561,752**	$ 448,249

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)

	Year Ended June 30 2019	2018
Operating revenues:		
Grants	**$ 468,806**	$ 488,174
Property rentals	**230,481**	214,523
Real estate sales, net	**9,252**	8,557
Fee income	**12,333**	9,835
Other income	**33,310**	40,032
Total operating revenues	**754,182**	761,121
Operating expenses:		
Project costs	**114,880**	98,086
Program costs	**372,720**	391,935
Property rentals and related operating expenses	**108,355**	87,566
Ferry related expenses, net	**52,950**	43,932
Personnel services	**66,873**	64,242
Contract and other expenses to the City	**57,657**	30,105
Office rent	**18,912**	12,999
Other general expenses	**22,134**	22,257
Total operating expenses	**814,481**	751,122
Operating (loss) income	**(60,299)**	9,999
Non-operating revenues (expenses):		
Income from investments	**9,057**	4,446
Other non-operating (expense)/income	**94**	(45)
Total non-operating revenues, net	**9,151**	4,401
Change in net position before capital contribution	**(51,148)**	14,400
Capital contribution	**164,651**	–
Change in net position	**113,503**	14,400
Net position, beginning of year	**448,249**	433,849
Net position, end of year	**$ 561,752**	$ 448,249

See accompanying notes.

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

Statements of Cash Flow (In Thousands)

	Year Ended June 30 2019	2018
Cash flows from operating activities		
Real estate sales	**$ 8,674**	$ 9,556
Property rentals	**240,833**	192,235
Grants from the City	**472,195**	502,743
Fee income	**11,333**	10,833
Other income	**34,960**	33,455
Project costs	**(112,112)**	(124,690)
Program costs	**(385,727)**	(373,968)
Property rentals and related operating expenses	**(104,471)**	(76,379)
Ferry expenses	**(57,825)**	(43,747)
Personnel services	**(65,136)**	(62,995)
Contribution to OPEB trust	–	(20,000)
Office rent	**(8,693)**	(9,234)
Contract and other expenses to the City	**(40,871)**	(26,728)
Other general and administrative expenses	**(2,206)**	(12,720)
Repayments of loans and mortgage receivable	**2,760**	(4,704)
Tenant security and escrow deposits	**(26,407)**	7,387
Other	**4,965**	(5,476)
Net cash used in operating activities	**(27,728)**	(4,432)
Cash flows from capital and related financing activities		
Purchase of capital assets	**(156,291)**	(6,869)
Capital contribution	**87,878**	–
Net cash used in capital and related financing activities	**(68,413)**	(6,869)
Cash flows from investing activities		
Sale of investments	**384,485**	156,523
Purchase of investments	**(320,634)**	(137,563)
Deposits on land	–	238
Interest income	**9,057**	4,445
Net cash provided by investing activities	**72,908**	23,643
Net (decrease) increase in cash and cash equivalents	**(23,233)**	12,342
Cash and cash equivalents, beginning of year	**371,768**	359,426
Cash and cash equivalents, end of year	**$ 348,535**	$ 371,768

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

Statements of Cash Flow (In Thousands) (continued)

	Year Ended June 30	
	2019	**2018**
Reconciliation of operating (loss) income to net cash provided by operating activities		
Operating income	**$ (60,299)**	$ 9,999
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**6,058**	3,060
Changes in operating assets, liabilities and deferred inflow/outflow of resources:		
Due to/from the City	**42,394**	11,955
Other non-current assets	**(1,918)**	(1,260)
Tenant receivables	**10,451**	(12,884)
Prepaid expenses and other receivables	**7,030**	(13,396)
Loans and mortgage notes receivable	**6,009**	(4,704)
Tenant security and escrow deposits payable	**(26,407)**	7,387
Accounts payable and accrued expenses	**(25,705)**	14,505
Deposits received on pending sales of real estate	**(578)**	(11,647)
Net OPEB liability	**(3,547)**	(19,248)
Unearned grant revenue	**(1,036)**	15,625
Deferred inflows of resources	**92**	1,526
Retainage payable	**(3,820)**	(7,414)
Other current liabilities	**1,993**	1,646
Other non-current liabilities	**21,555**	418
Net cash used in operating activities	**$ (27,728)**	$ (4,432)
Supplemental disclosures of non-cash activities		
Unrealized gain on investments	**$ 2,574**	$ 218

See accompanying notes.

1. Background and Organization

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

NYCEDC is a not-for-profit corporation organized under the New York State Not-for-Profit Corporation Law (the NPCL) that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). NYCEDC's primary activities consist of rendering a variety of services to administer certain economic development programs on behalf of the City of New York (the City) relating to the attraction, retention and expansion of commerce and industry in the City. These services and programs include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within the City, and the provision of financial assistance 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. The services provided under these contracts and other related agreements with the City are herein referred to as the Contract Services.

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

Commercial Leases Portfolio: NYCEDC manages property leases 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, industrial or residential 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.

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 and the NYC Ferry system on the City's behalf pursuant to the Maritime Contract.

Other Properties Portfolio: This portfolio was established to account for the activities of certain City-owned properties and other assets for which NYCEDC assumed management responsibilities. Pursuant to various agreements between NYCEDC and the City, the net revenue from three of the properties is retained for property operating and capital expenses or for expenses of projects in the area. The retained amounts as of June 30, 2019 and 2018, were $2.2 million and $3.3 million, respectively.

42^{nd} Street Development Project Portfolio: This portfolio was established as a joint effort between the City and the State to redevelop the 42^{nd} Street district into a vibrant office and cultural center. Ownership of all the properties was transferred from the State to the City by October 31, 2012. NYCEDC then assumed management and administrative responsibilities for all leases in connection with the 42^{nd} 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).

2. Summary of Significant Accounting Policies (continued)

Recently Issued GASB Pronouncements

GASB Statement No. 84, *Fiduciary Activities,* was issued in January 2017. The primary objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The statement is effective for fiscal years beginning after December 15, 2018. The Corporation is evaluating the impact this standard will have on its 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 is evaluating the impact this standard will have on the Corporation's financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this statement are effective for fiscal years beginning after June 15, 2018. The adoption of this standard did not impact the financial statements.

2. Summary of Significant Accounting Policies (continued)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Provisions of this statement are effective for fiscal years beginning after December 15, 2019. The Corporation does not anticipate any related impact on its financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. Provisions of this statement are effective for fiscal years beginning after December 15, 2018. The Corporation is evaluating the impact this standard will have on its financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Provisions of this statement are effective for fiscal years beginning after December 15, 2020. The Corporation does not anticipate the adoption of this standard to have an impact on the financial statements.

2. Summary of Significant Accounting Policies (continued)

Revenue and Expense Classification

NYCEDC distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing the Contract Services to the City in connection with NYCEDC's principal 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 maintenance charges, and general administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Grants

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

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

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

Other grants are recorded as revenue when earned.

Property Rental Revenue

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

2. Summary of Significant Accounting Policies (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

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 vessels operating under the NYC Ferry system, leasehold improvements and equipment are capitalized. Vessels are depreciated over a useful life of 25 years. Leasehold improvements are depreciated using the straight-line method over the shorter of the life of the lease or the estimated useful life assigned. Leasehold improvements have useful lives from 7 to 20 years. The Corporation also uses the straight-line method for depreciating or amortizing furniture and equipment over the estimated useful life assigned. The useful life of furniture and equipment varies from three to five years.

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

Tax Status

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

2. Summary of Significant Accounting Policies (continued)

Capital Contributions

Capital contributions are realized at the time NYCEDC incurs costs for the acquisition and/or construction of City-funded capital assets managed and used by NYCEDC in its operations. During fiscal year 2019, NYCEDC recognized $164.7 million of capital contributions, of which $153.1 million was for vessel acquisitions for the NYC Ferry system, and $9.1 million relates to leasehold improvements for the build out of space occupied by NYC Department of Small business Services within NYCEDC's newly leased office space at One Liberty Plaza.

Reclassifications

Certain reclassifications have been adjusted in 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 other activities (1) facilitating commercial and industrial development projects, (2) stabilizing and improving industrial areas (3) administering public loan, grant, and subsidy programs, (4) encouraging development of intrastate, interstate and international commerce, 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. 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.

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 $33.6 and $8.9 million from its unrestricted net position in fiscal years 2019 and 2018, respectively, which are accounted for under 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, including the NYC Ferry system, and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

In the performance of its services under the Maritime Contract, NYCEDC collects monies, including but not limited to, rents and other revenues from tenants of certain City-owned properties managed by NYCEDC in connection with its maritime program. In consideration of the services rendered by 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). Net revenues generated on the City's behalf for services under the Maritime Contract in excess of the Reimbursed Amount

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

must be remitted to the City on a periodic basis. Historically, at the direction of the City, NYCEDC was required to remit $16.7 million for each fiscal year pursuant to the Maritime Contract, and such amounts were included in contract and other expenses to the City. Beginning in fiscal year 2017, to partially offset the cost of establishing and operating the NYC Ferry service (Note 12), this amount was not required to be remitted to the City.

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.

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 42nd Street Development Project. The amounts remitted from this source for fiscal year 2019 and 2018 were $24 million and $21 million, respectively (Note 14).

4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2019, grant revenue was $471 million, of which $433 million comprised reimbursement grants from and through the City, and the remaining $38 million was provided by other sources. For the year ended June 30, 2018, grant revenue was $488 million, of which $449 million comprised reimbursement grants from and through the City, and the remaining $39 million was provided by other sources.

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

NYCEDC may purchase land to help achieve the City's and NYCEDC's redevelopment goals. In both fiscal years 2019 and 2018, the land held for development totaled $132 million. Several acquisitions were obtained using capital funds from the City and these amounts are reflected as real estate obligations due to the City on the statement of net position. As of June 30, 2019 and 2018, real estate obligations due to the City were $125 million.

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

The following table summarizes land held for development and real estate obligations due to the City for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

		2019		2018
225 125th Street, B1790, L12	**$**	**1,972**	$	1,972
2309-2313 3rd Avenue, B1790, L3, 49		**858**		858
236 East 126th Street, B1790 L31		**183**		183
246 E. 127th Street, B1791, L25		**4,300**		4,300
Springfield Gardens, Queens, B13432, L57		**53**		53
Land held for development	**$**	**7,366**	$	7,366
Boardwalk, Coney Island	**$**	**105,346**	$	105,346
1047 Home Street, Bronx, B3006, L21		**800**		800
1051 Home Street, Bronx, B3006, L19		**1,200**		1,200
1057 Home Street, Bronx, B3006, L17		**500**		500
1174 Longfellow Avenue, Bronx, B2758, L14		**4,000**		4,000
3050 W. 21st Street, Brooklyn, B7071, L123		**13,175**		13,175
Due to the City: real estate obligations		**125,021**		125,021
Total land held for development	**$**	**132,387**	$	132,387

6. Other Income

The following table summarizes other income for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

		2019		2018
Tenant reimbursements	**$**	**8,482**	$	7,908
Developer contributions		**2,742**		3,115
Interest income from loans		**861**		662
Loan/bad debt recovery income		**2,464**		1,645
Development rights		**4,264**		11,294
Tenant liquidated damages		**7,141**		900
Other miscellaneous income		**7,356**		14,508
Total	**$**	**33,310**	$	40,032

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, 2019 and 2018, these mortgage notes totaled \$8.0 million and \$8.2 million, respectively, exclusive of any 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 generate employment, increase tax revenue, improve the physical environment of areas, stabilize neighborhoods, or provide other benefits to the City. Collectively, the installment notes and loans form the Finance Programs.

At June 30, 2019, the loan and mortgage notes portfolio consisted of 14 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):

	Principal Maturity	Interest
Fiscal Year:		
2020	$ 4,801	$ 409
2021	2,583	274
2022	423	262
2023	872	254
2024	522	248
2025–2029	2,219	1,266
2030–2034	2,194	941
2035–2039	5,679	584
2040–2044	1,881	269
2045–2046	888	25
	22,062	$ 4,532
Allowance for uncollectible amounts	(930)	
Loans and mortgage notes receivable, net	$ 21,132	

7. Loans and Mortgage Notes Receivable (continued)

The five largest loans in fiscal year 2019 represent approximately 91% of the loan portfolio balance. The composition of the entire portfolio, by industry type, at June 30, 2019, was as follows: real estate development 36%, other services 60% and life science 4%.

8. Due to/From the City of New York

NYCEDC is required to remit certain amounts to the City under the Master Contract (Note 3). The unremitted portion of such amounts at June 30, 2019 and 2018, amounted to $13 and $19 million, respectively.

Pursuant to the Master Contract with the City, NYCEDC recorded total grants from and through the City in the amount of $433 and $449 million during fiscal years 2019 and 2018, respectively, of which $192 and $163 million in capital funds were unpaid by the City as of June 30, 2019 and 2018, 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, 2017 to June 30, 2019, consisted of the following (dollars in thousands):

	June 30, 2017	Additions	Disposals	June 30, 2018	Additions/ Depreciation	Disposals	June 30, 2019
Equipment	$ 9,447	$ 515	$ –	$ 9,962	**$ 5,224**	**$ –**	**$ 15,186**
Leasehold improvements	16,906	9,633	–	26,539	**2,408**	**–**	**28,947**
Vessels	6,000	–	–	6,000	**126,308**		**132,308**
Computer software	788	–	–	788	**–**	**–**	**788**
Work-in-progress - vessels	–	–	–	–	**20,754**	–	**20,754**
Work-in-progress - other	12,701	(2,880)	–	9,821	**48,819**		**58,640**
Capital assets	45,842	7,268	–	53,110	**203,513**	**–**	**256,623**
Less: Accumulated Depreciation/amortization	(11,520)	(3,460)	–	(14,980)	**(6,058)**	**–**	**(21,038)**
Capital assets, net	$ 34,322	$ 3,808	$ –	$ 38,130	**$ 197,455**	**$ –**	**$ 235,585**

Depreciation and amortization of capital assets and obligations for the fiscal years ended June 30, 2019 and 2018, were $6.1 and $3.5 million, respectively.

10. Deposits and Investments

Deposits

At year-end, NYCEDC's cash and cash equivalents bank balance was $350.3 million, of which $13.0 million was FDIC insured. Of the remaining balance, $136.1 million was invested in money market funds. Emergency funds on hand amounted to $10,000 at June 30, 2019.

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, 2019 and 2018, the Corporation had the following investments. Investments maturities are shown for June 30, 2019, only (in thousands):

	Fair Value		Investment Maturities at June 30, 2019, in Years	
	2019	**2018**	**Less Than 1**	**1 to 7**
Money market mutual funds	**$ 130,854**	$ 169,728	$ 130,854	$ –
Money market deposit account	**5,256**	5,251	5,256	–
FHLB notes	**31,256**	35,257	9,663	21,593
FHLMC notes	**11,737**	70,499	2,202	9,535
Commercial paper	**33,507**	47,732	33,507	–
FFCB notes	**20,454**	14,515	–	20,454
FNMA notes	**5,516**	24,578	–	5,516
US Treasury	**50,741**	24,481	50,741	–
Certificates of deposit	**200**	200	200	–
	289,521	392,241	$ 232,423	$ 57,098
Less amount classified as cash equivalents	**(136,110)**	(174,979)		
Total investments	**$ 153,411**	$ 217,262		

10. Deposits 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 and commercial paper, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

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, 2019, 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. Commercial papers held were rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investor's Service, Inc.

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

The Corporation manages custodial credit risk by limiting possession of its investments to highly rated institutions and/or requiring that high-quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2019, the Corporation was not subject to custodial credit risk.

10. Deposits and Investments (continued)

Concentration of Credit Risk – The Corporation places no limit on the amount 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, 2019 and 2018 (dollars in thousands):

	Dollar Amount and Percentage of Total Investments			
Issuer	**June 30, 2019**		**June 30, 2018**	
Federal Home Loan Mortgage Corp.	**$ –**	**– %**	$ 70,499	32.45%
Federal Home Loan Bank	**31,256**	**10.80**	35,257	16.23
Federal Farm Credit Bank	**20,454**	**7.06**	14,515	6.68
Federal National Mort. Assoc.	**–**	**–**	24,578	11.31
US Treasury	**50,741**	**17.53**	24,481	11.27

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 $9.1 million and $4.4 million for the fiscal years ended June 30, 2019 and 2018, respectively.

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, industrial or residential 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.

11. Ground Leases and Properties Managed by NYCEDC on Behalf of the City (continued)

The future minimum rental income as of June 30, 2019, payable by the tenants under the leases and subleases, all of which are accounted for as operating leases, are as follows (dollars in thousands):

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
2020	$ 19,420	$ 24,988	$ 34,996	$ 15,414	$ 251	$ 95,069
2021	17,629	24,090	32,971	15,413	191	90,294
2022	16,680	23,175	31,650	15,413	191	87,109
2023	13,436	22,436	30,737	15,413	190	82,212
2024	10,653	22,323	29,246	15,413	190	77,825
2025–2029	38,164	87,890	119,957	77,069	953	324,033
2030–2034	12,548	83,523	75,248	77,069	953	249,341
2035–2039	4,148	82,672	55,229	77,069	254	219,372
2040–2044	4,148	76,568	35,463	77,069	–	193,248
2045–2049	4,148	75,170	35,463	77,069	–	191,850
Thereafter	3,803	431,164	62,185	622,435	–	1,119,587
Total	$ 144,777	$ 953,999	$ 543,145	$ 1,084,846	$ 3,173	$ 2,729,940

The thereafter category includes 45 leases with expiration dates between July 1, 2049 and December 31, 2100.

12. NYC Ferry System

In 2016, NYCEDC contracted with HNY Ferry, LLC (HNY) for the provision of citywide ferry services under the new NYC Ferry system. The system is made up of six routes that were designed to meet the transportation needs of neighborhoods traditionally underserved by public transportation. The NYC Ferry routes were being 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 first of the new NYC Ferry system routes, the Rockaway route, on May 1, 2017. Routes for South Brooklyn and Astoria, Queens were launched in June and August 2017, respectively. In August 2018, the final two planned routes began for Soundview in the Bronx and the Lower East Side of Manhattan.

12. NYC Ferry System (continued)

The net cost of these operations as of June 30, 2019 and 2018, were \$53 million and \$44 million, respectively. To partially offset the costs to NYCEDC for establishing and operating the ferry system, NYCEDC was not required to remit to the City \$16.7 million under the Maritime Contract or commercial rents received from the 42nd Street Development Project (Notes 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 \$36.5 million, of which \$21.7 million is for Jay Street (One Metrotech Center), \$5.1 million is for Bridge Street (Two Metrotech Center), \$6.3 million is for Tech Place (11 Metrotech Center) and \$3.4 million is for Myrtle Avenue (Nine Metrotech Center). These receivables will be collected over a period ranging from 8 years to 21 years and will be recognized as revenue over the life of the agreements.

14. 42nd Street Development Project

The 42nd 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 42nd Street area between 7th and 8th 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.

Beginning in January 1, 2011, and in accordance with section 11.05 of the Master Contract, NYCEDC transferred to the City all payments in lieu of taxes, real estate taxes and substantially all rental revenues it collected on the Project. Beginning in fiscal year 2017, to partially offset the costs to NYCEDC for establishing and operating the NYC Ferry service (Note 12), NYCEDC has not been required to remit rental revenues from the Project 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, 2019 and 2018, amounted to $5.5 million and $5.1 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 EDC, and (iii) all active employees who started working prior to January 1, 2011, with (a) at least 10 years of service as of that date, or (b) who will be age 60 or older by June 30, 2023 and will have at least 10 years of service by the time they retire.

Benefit provisions and contribution requirements for the plan are administered and managed by NYCEDC and can be amended by NYCEDC. There is no statutory requirement for NYCEDC to continue this plan. The plan is a contributory plan with retirees subject to contributions established for either the Low or High version of the plan. Retirees receiving the post-employment health benefits pay a premium amount equal to what a current NYCEDC active employee pays, based on

16. Postemployment Benefits Other Than Pensions (continued)

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.

On June 27, 2018, NYCEDC established and funded the New York City Economic Development Corporation OPEB Trust (the Trust), an irrevocable trust for the payments to fund this obligation. All of the plan assets are maintained within the Trust and detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial statements of the Trust, which can be obtained by writing to the New York City Economic Development Corporation, One Liberty Plaza, New York, NY 10006.

As of July 1, 2016, NYCEDC adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement established guidelines for reporting costs associated with "other postemployment benefits" (OPEB). This Statement replaces GASB Statement No. 45. The Corporation's annual OPEB cost for the plan is calculated based on the Entry Age Normal level percentage cost method, an amount actuarially determined in accordance with the parameters of GASB Statements 75.

Employees Covered by Benefit Terms. At June 30, 2019 and 2018, the following employees were covered by the benefit terms:

	2019	2018
Active Employees	**66**	68
Inactive Employees and/or beneficiaries currently receiving benefit payments	**39**	38
Total participants	**105**	106

Beginning fiscal year 2020, benefit premiums will be paid by NYCEDC and reimbursed by the Trust from net position available for plan benefits. For fiscal year 2019 and prior, benefits premiums were paid directly by NYCEDC.

16. Postemployment Benefits Other Than Pensions (continued)

Contributions. NYCEDC has the right to establish and amend the contribution requirements. For the year ended June 30, 2019 and 2018, the average contribution rate was 0% and 243% respectively, of covered payroll.

Net OPEB Asset/Liability

The Corporation's net OPEB asset/liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the June 30, 2018 valuation were based on information provided by the NYCEDC for the period of July 1, 2017, through June 30, 2018. Update procedures were used to roll forward the total OPEB liability to June 30, 2019.

Actuarial Assumptions. The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified:

Inflation	3.0% per annum, compounded annually
Investment rate of return	2018 - 3.4% per annum, compounded annually
	2019 - 4.4% per annum, compounded annually
Salary increases	4.25%
Healthcare costs trend rates	8.4% grading down to an ultimate rate of 4.7% for <65,
	7.5% grading down to an ultimate rate of 4.7% for <65

Mortality rates were based on "Health care costs – from birth to death" sponsored by the society of actuaries and prepared by Dale H. Yamamoto (May 2013). The mortality improvement scale was updated to the MP-2018 scale.

Rate of return: As required by GASB Statement 74, the annual money weighted rate of return on trust investments, net of investment expenses was 6% and 0% for the years ended June 30, 2019 and 2018 respectively. The calculation is based on monthly income and average monthly investment balances. The money-weighted rate of return on investments net of investment expense, was 0% in 2018 because the contribution was made, in cash, on June 27, 2018.

16. Postemployment Benefits Other Than Pensions (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The goals of the OPEB plan's investment policy are to invest for the sole purpose of funding the OPEB plan obligation in a prudent manner and to conserve and enhance the value of the trust assets through appreciation and income generation, while maintaining a moderate investment risk.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation for each major asset class is summarized in the following table for 2019 and 2018:

Asset Class	**Allocation**
US Large Cap	8%
Non-US Equity	4%
Absolute Return	8%
Long Term Bond	40%
Aggregate Bond	40%
	100%

Discount Rate. The discount rate used to measure the total OPEB liability was 4.19% and 3.20% at June 30, 2019 and June 30, 2018, respectively and based on the S&P Municipal Bond 20 Year High Grade Rate Index of 2.79%. The projection of cash flows used to determine the discount rate assumed that Corporation's contributions will be made at rates equal to the actuarially determined contribution rates. The plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2049.

16. Postemployment Benefits Other Than Pensions (continued)

Changes in Net OPEB Asset/Liability

For the year ended June 30, 2019, in (dollars in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balances at beginning of the year	$ 21,563	$ 20,000	$ 1,563
Changes for the year:			
Service cost	531	–	531
Interest	704	–	704
Difference between expected and actual experience	(206)	–	(206)
Changes of assumptions	(3,180)	–	(3,180)
Employer Contributions	–	–	–
Net investment income	–	1,195	(1,195)
Benefit payments	(201)	–	(201)
Administrative expense	–	–	–
Net changes	(2,352)	1,195	(3,547)
Balances at end of the year	$ 19,211	$ 21,195	$ (1,984)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB asset/(liability) of the Corporation, as well as what the Corporation's net OPEB asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.19 percent) or 1-percentage-point higher (5.19 percent) than the current discount rate:

	1% Decrease	Discount Rate (4.19%)	1% Increase
Net OPEB (asset)/liability, June 30, 2019	$ 1,120	$ (1,984)	$ (4,538)

16. Postemployment Benefits Other Than Pensions (continued)

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend rates. The following presents the net OPEB liability of the Corporation, as well as what the Corporation's net OPEB liability would be if it were calculating using healthcare cost trend rates that are 1 percentage point lower or 1 percent point higher (dollars in thousands):

	1% Decrease	Healthcare Cost Trend Rates (8.4% decreasing to 4.5%)	1% Increase
Net OPEB (asset)/liability, June 30, 2019	$ (5,319)	$ (1,984)	$ 2,676

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

For the year's ended June 30, 2019 and 2018, NYCEDC recognized an OPEB gain of $0.3 million and OPEB expense of $1.2 million, respectively. OPEB income/expense is reported in the NYCEDC's financial statements as part of personnel services expense. At June 30, 2019, NYCEDC reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows	Deferred Outflows
Net difference between projected and actual earnings on OPEB plan Investments	$ 3,209	$ –

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

Year ended June 30:	
2020	$ 699
2021	699
2022	699
2023	686
2024	426
	$ 3,209

17. Blended Component Units

CLIC Captive Insurance

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

At June 30, 2019, CLIC had no investments and maintained a cash balance of approximately $2.4 million with JP Morgan Chase.

CLIC continues to provide coverage for 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, 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.

Statements of Net Position

The following table summarizes CLIC's financial position at June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Total assets	**$ 2,393**	$ 1,087
Total liabilities	**19**	6
Total net position	**$ 2,374**	$ 1,081

17. Blended Component Units (continued)

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes CLIC's change in net position for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Operating revenues	**$ 379**	$ 128
Operating expenses	**87**	75
Operating income	**292**	53
Change in net position	**292**	53
Total net position, beginning of year	**1,081**	1,028
Total net position, end of year	**$ 1,373**	$ 1,081

City of New York Early Stage Life Sciences Fund LLC

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

Statements of Net Position

The following table summarizes ESLSF's financial position at June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Total assets	**$ 3,574**	$ 3,604
Total liabilities	**56**	–
Total net position	**$ 3,518**	$ 3,604

17. Blended Component Units (continued)

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes ESLSF's change in net position for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Operating revenues	**$ 126**	$ 159
Operating expenses	**225**	333
Operating income (loss)	**(99)**	(174)
Non-operating income (loss)	**13**	2,403
Change in net position	**(86)**	2,229
Total net position, beginning of year	**3,604**	1,375
Total net position, end of year	**$ 3,518**	$ 3,604

New York City Entrepreneurial Fund LLC

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

Statements of Net Position

The following table summarizes NYCEF's financial position at June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Total assets	**$ 808**	$ 808
Total liabilities	**–**	–
Total net position	**$ 808**	$ 808

17. Blended Component Units (continued)

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes NYCEF's change in net position for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Operating revenues	**$ –**	$ –
Operating expenses	**–**	–
Operating income	**–**	–
Change in net position	**–**	–
Total net position, beginning of year	**808**	808
Total net position, end of year	**$ 808**	$ 808

NYC Ferry Fleet, LLC

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

Statements of Net Position

The following table summarizes NYCFF's financial position at June 30, 2019 (dollars in thousands):

	2019
Total assets	$ 125,437
Total liabilities	–
Total net position	$ 125,437

17. Blended Component Units (continued)

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes NYCFF's change in net position for the fiscal year ended June 30, 2019 (dollars in thousands):

	2019
Operating revenues	$ –
Operating expenses	871
Operating income	(871)
Capital contribution	126,308
Change in net position	125,437
Total net position, beginning of year	–
Total net position, end of year	$ 125,437

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 the leasing and selling of certain properties. No fees were established between NYCEDC and LDC in the current fiscal year. Instead, NYCEDC provides LDC with operating grant funding for LDC's general and administrative expenses. For the periods ended June 30, 2019 and 2018, $1,593 and $1,517, respectively, was provided to LDC for such expenses.

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 fiscal years ended June 30, 2019 and 2018, NYCEDC earned management fee income from IDA of $4.4 million and $3.3 million, respectively. In fiscal year 2019, a contingency fee of $41,184 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, 2019 and 2018, the amounts due from IDA totaled $499,725 and $1.3 million, respectively.

Build NYC Resource Corporation (Build NYC)

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an annual agreement between NYCEDC and Build NYC, NYCEDC provides management services to Build NYC and administers Build NYC's financial books and records. For fiscal years ended June 30, 2019 and 2019, NYCEDC earned management fee income from Build NYC of $2.2 million and $3.3 million, respectively.

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

Pursuant to an annual agreement between NYCEDC and TCR, NYCEDC collects fees from TCR for management services. For the fiscal year ended June 30, 2019 and 2018, NYCEDC earned management fees of $307,813 and $312,188, respectively 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 to allocate federal tax credits for this purpose. NYCEDC provided full management services to NCC and no fees were charged for these services for the year ended June 30, 2019.

19. Accounting for Derivatives and Fuel Hedging Activity

As described in Note 12, NYCEDC, on behalf on the City, contracted in June 2016 with HNY for the provision of citywide ferry services for the new NYC Ferry system. NYCEDC was initially responsible for the cost of up to 3.3 million gallons of ultra-low sulfur diesel fuel per annum under the six year operating agreement with HNY. Due to the unexpected increase in demand for ferry services, NYCEDC is in the process of increasing the number of vessels in service, and the related annual fuel cap. Beginning in fiscal year 2020, the annual cap will increase to 6.0 million gallons. The cap will increase gradually to reach 8.0 million gallons by fiscal year 2023. Although the contract caps the number of gallons that NYCEDC is responsible for, the price per gallon is subject to market conditions. Consequently, NYCEDC was authorized by its Board of Directors to implement an energy price risk management program to manage NYCEDC's exposure to the cost of fuel for NYC Ferry.

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

The following risks are generally associated with hedging instruments:

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

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

Counterparty Risk: the risk that the counterparty will not fulfill its obligations under the option contracts. To minimize such exposure, NYCEDC diversifies and executes transactions with multiple counterparties.

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

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

Beginning in September 2017, NYCEDC executed International Swaps and Derivatives Association ("ISDA") master agreements with Chase Bank, N.A. (JPMorgan) and Citibank, N.A. (Citibank) paving the way to use swap and call option contracts for fuel hedging purposes. Subsequently, NYCEDC purchased call option contracts from JPMorgan, with a notional volume of 2.8 million gallons to hedge against the fuel cap for calendar year 2018 and a call option contract from Citibank, with a notional volume of 1.6 million gallons, covering the first half of calendar year 2019. These call options expired as of June 30, 2019.

Additionally, NYCEDC continued to use futures contracts as a hedging vehicle. On June 30, 2019, NYCEDC maintained a position of 304 futures contracts for ultra-low sulfur diesel and crude oil. These contracts cover a percentage of the fuel commitment for the next three years of the HNY operating contract period.

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

As of June 30, 2019, the fair values of NYCEDC's commodity futures contracts, based on average daily rates are listed below. These contracts fall within the Level 2 category investments of the fair value hierarchy.

Crude Oil	Notional Amount-Barrels Barrel=42 gallons	Number of Contracts 1,000 barrels/contract	Maturity Date	Fair Value 6/30/19	Average Price $/Barrel
	840,000	20	Jun-22	$ (19,800)	$ 54.55
	882,000	21	Dec-22	(12,500)	54.20
	882,000	21	Jun-23	(6,080)	53.91

Diesel Fuel	Notional Amount-Gallons	Number of Contracts	Maturity Date	Fair Value 6/30/19	Average Price $/Gallon
	84,000	2	Aug-19	$ 11,835	$ 1.80
	420,000	10	Sep-19	(53,739)	2.08
	378,000	9	Oct-19	(66,834)	2.13
	336,000	8	Nov-19	(47,506)	2.10
	294,000	7	Dec-19	(75,999)	2.22
	294,000	7	Jan-20	(78,750)	2.23
	294,000	7	Feb-20	(79,648)	2.23
	252,000	6	Mar-20	(71,736)	2.23
	294,000	7	Apr-20	(78,472)	2.20
	336,000	8	May-20	(78,750)	2.16
	420,000	10	Jun-20	(75,911)	2.10
	420,000	10	Jul-20	(76,184)	2.10
	420,000	10	Aug-20	(56,843)	2.05
	420,000	10	Sep-20	(65,264)	2.08
	420,000	10	Oct-20	(53,357)	2.05
	420,000	10	Nov-20	(61,454)	2.07
	378,000	9	Dec-20	(51,147)	2.06
	378,000	9	Jan-21	(57,263)	2.08
	378,000	9	Feb-21	(51,316)	2.06
	336,000	8	Mar-21	(48,741)	2.06
	378,000	9	Apr-21	(51,106)	2.03
	420,000	10	May-21	(63,143)	2.04
	420,000	10	Jun-21	(53,676)	2.01
	420,000	10	Jul-21	(64,126)	2.04
	462,000	11	Aug-21	(31,219)	1.95
	462,000	11	Sep-21	(22,970)	1.93
	252,000	6	Oct-21	(17,745)	1.96
	126,000	3	Nov-21	(15,128)	2.01
	126,000	3	Dec-21	(8,110)	1.95
	126,000	3	Jan-22	(8,782)	1.96
	Total Fair Value			**$ (1,591,464)**	

20. Commitments and Contingencies

NYCEDC has an aggregate contractual commitment of $109.7 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 current lease agreement expiring in early fiscal year 2020. A new lease agreement was entered into effective March 2018 with an expiration date of May 31, 2039, for the new headquarters. The future minimum rental commitments as of June 30, 2019, required under the current and new operating leases are as follows (dollars in thousands):

Fiscal year:	
2020	$ 13,100
2021	11,837
2022	11,840
2023	11,846
2024	11,951
2025 to 2029	64,859
2030 to 2034	70,598
2035 and thereafter	74,973
	$ 271,004

Accordingly, rent expense for office space amounted to $19 million and $13 million for fiscal years ended June 30, 2019 and 2018, respectively.

The Corporation's loan and loan guarantee finance program is designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for the City. As of June 30, 2019, the Corporation's aggregate commitment for these programs is $24.6 million.

20. Commitments and Contingencies (continued)

NYCEDC was the co-trustee along with 42nd Street Development Corporation (a subsidiary of New York State Urban Development Corporation d/b/a Empire State Development Corporation (ESDC)) for the use of certain development funds under the 42nd Street Development Project. The trustees jointly extended a loan to the New Amsterdam Development Corporation (NADC) for renovation of the New Amsterdam Theatre. The principal loan amount of $25.6 million was equally disbursed by the trustees and matures on January 31, 2027. Interest on the loan has ranged between 3% 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. This transaction is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

NYCEDC is party to a funding agreement among 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.

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.

21. Risk Management

Given the diverse nature of projects, initiatives and assets managed by NYCEDC and its concentrated operational geography, the corporation is exposed to a variety exposures and their potential risks. Based on NYCEDC's operations, the corporation's risk can largely be categorized as: theft of, damage to, and destruction of real assets; various types of injury or harm to employees and 3rd parties; tort law and; reputational. In response, NYCEDC diligently works to identify, understand and where possible, quantify these risks associated with current and potential operations, to ensure the appropriate action is implemented to properly address them. NYCEDC utilizes several methods to mitigate these risks, including but not limited to, loss prevention/risk engineering, contractual risk transfer and the utilization of financial and commercial insurance products.

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: restricted net position, unrestricted net position and net investment in capital assets. The restricted net position includes net position that has been restricted in use in accordance with the terms of an award or agreement (other than the net position generally available for City program activities under the Master Contract and the Maritime Contract) or by law.

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

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

22. Net Position (continued)

Changes in Net Position

The changes in net position during fiscal years 2019 and 2018 are as follows (in thousands):

	Restricted	Unrestricted	Net Investment in Capital Assets	Total
Net position, June 30, 2017	$ 107,506	$ 292,021	$ 34,322	$ 433,849
Increase (decrease) in net position	(4,963)	19,363	–	14,400
Capital assets additions	–	(7,268)	7,268	–
Retirements/depreciation	–	3,460	(3,460)	–
Net position, June 30, 2018	102,543	307,576	38,130	448,249
Increase in net position	**104,090**	**9,413**	**–**	**113,503**
Capital assets additions	**(146,058)**	**(57,455)**	**203,513**	**–**
Retirements/depreciation	**2,442**	**3,616**	**(6,058)**	**–**
Net position, June 30, 2019	**$ 63,017**	**$ 263,150**	**$ 235,585**	**$ 561,752**

Required Supplementary Information

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

Schedule of Changes in Net OPEB Liability (in thousands)

	2019	2018
Total OPEB liability:		
Service cost	**$ 531**	$ 561
Interest	**704**	666
Difference between expected and actual experience	**(206)**	(103)
Changes of assumptions	**(3,180)**	(147)
Benefit payments	**(201)**	(225)
Net change in total OPEB liability	**(2,352)**	752
Total OPEB liability – beginning	**21,563**	20,811
Total OPEB liability – ending (a)	**$ 19,211**	$ 21,563
Total fiduciary net position:		
Contributions – employer	**$ –**	$ 20,000
Net investment income	**1,195**	–
Benefits payments	–	–
Administrative expenses	–	–
Net change in fiduciary net position	**1,195**	20,000
Trust fiduciary net position – beginning	**20,000**	–
Trust fiduciary net position – ending (b)	**$ 21,195**	$ 20,000
Corporation's net OPEB (asset)/liability – end of year (a-b)	**$ (1,984)**	$ 1,563
Trust fiduciary net position as a percentage of the total OPEB liability	**110.33%**	92.75%

Notes to Schedule:

Changes of assumptions:
Discount rate was changed from 3.2% at June 30, 2018 to 4.19% at June 30, 2019.
Rate of return was changed from 3.4% at June 30, 2018 to 4.40% at June 30, 2019
The mortality improvement scale was updated to use MP-2018 at June 30, 2019 from the MP-2017 scale at June 30, 2018.

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

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

Schedule of OPEB Contributions (in thousands)

	2019	2018
Actuarially determined contribution	– $	–
Contributions in relation to the actuarially determined contribution	–	20,000
Contribution deficiency (excess)	– $	(20,000)
Covered-employee payroll	8,018	8,231
Contributions as a percentage of covered-employee payroll	0%	242.98%

Valuation dates:	June 30, 2018. Results were rolled forward to June 30, 2019.
Actuarial cost method:	Entry age normal, level percent of pay. Service costs are attributed through all assumed ages of exit from active service.
Amortization method:	N/A
Asset valuation method:	Fair value.
Inflation:	3.0% per annum, compounded annually
Salary increases:	4.25% per annum
Investment rate of return:	4.40% for 2019, 3.40% for 2018
Health care trend rates:	8.4% grading down to an ultimate rate of 4.7% for <65, 7.5% grading down to an ultimate rate of 4.7% for <65
Mortality:	Based on the RP-2014 White Collar Employee and Healthy Annuitant Mortality tables with application of the MP-2018 improvement scale on a fully generational basis.
Benefit changes:	None

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

Supplementary Information

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

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

	Total Unrestricted	Restricted: Maritime Fund	NYC Ferry	Adjustment	Total Maritime & NYC Ferry	NYC Ferry Fleet, LLC	Brooklyn Army	Other Properties	Finance Programs	Capital Programs	Public Purpose & Other Fund	Apple 42nd Street	Total Restricted	Net investment in capital assets	June 30 2019	2018
Operating revenues:																
Grants	$ 92,259	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 371,806	$ 4,741	$ -	$ 376,547	$ -	$ 468,806	$ 488,174
Property rentals	68,246	83,896	-	-	83,896	-	24,512	4,178	-	-	-	49,649	162,235	-	230,481	214,523
Real estate sales, net	9,252	-	-	-	-	-	-	-	-	-	-	-	-	-	9,252	8,557
Fee income	12,116	59	-	-	59	-	42	10	-	-	23	83	217	-	12,333	9,835
Other income	16,050	8,739	16,646	(16,646)	8,739	-	4,502	55	556	-	2,797	611	17,260	-	33,310	40,032
Other Income - 42nd Street	23,564	-	-	-	-	-	-	-	-	-	-	(23,564)	(23,564)	-	-	-
Total Operating revenues	221,487	92,694	16,646	(16,646)	92,694	-	29,056	4,243	556	371,806	7,561	26,779	532,695	-	754,182	761,121
Operating expenses:																
Project costs	108,829	-	-	-	-	-	-	-	-	-	6,051	-	6,051	-	114,880	98,086
Program costs	-	-	-	-	-	-	-	-	914	371,806	-	-	372,720	-	372,720	391,935
Property rentals and related operating expenses	15,579	71,583	-	-	71,583	-	13,110	5,338	-	-	-	2,745	92,776	-	108,355	87,566
Ferry related expenses	-	-	69,596	(16,646)	52,950	-	-	-	-	-	-	-	52,950	-	52,950	43,932
Personnel Services	58,157	6,875	-	-	6,875	-	1,481	-	172	-	188	-	8,716	-	66,873	64,242
Contract and other expenses to the City	33,587	-	-	-	-	-	-	31	-	-	-	24,039	24,070	-	57,657	30,105
Office rent	18,912	-	-	-	-	-	-	-	-	-	-	-	-	-	18,912	12,999
Other general expenses	17,316	1,797	-	-	1,797	871	1,010	8	200	919	13	-	4,818	-	22,134	22,257
Total operating expenses	252,380	80,255	69,596	(16,646)	133,205	871	15,601	5,377	1,286	372,725	6,252	26,784	562,101	-	814,481	751,122
Operating income	(30,893)	12,439	(52,950)	-	(40,511)	(871)	13,455	(1,134)	(730)	(919)	1,309	(5)	(29,406)	-	(60,299)	9,999
Nonoperating revenues (expenses):																
Income (Loss) from Investments	7,058	286	-	-	286	-	-	24	901	-	783	5	1,999	-	9,057	4,446
Non-operating income/(expense)	94	-	-	-	-	-	-	-	-	-	-	-	-	-	94	(45)
Total nonoperating revenues (expenses):	7,152	286	-	-	286	-	-	24	901	-	783	5	1,999	-	9,151	4,401
Income before transfers	(23,741)	12,725	(52,950)	-	(40,225)	(871)	13,455	(1,110)	171	(919)	2,092	-	(27,407)	-	(51,148)	14,400
Interfund transfers	(9,211)	(12,725)	18,715	-	5,990	-	3,221	-	-	-	-	-	9,211	-	-	-
Change in net position before capital contributions	(32,952)	-	(34,235)	-	(34,235)	(871)	16,676	(1,110)	171	(919)	2,092	-	(18,196)	-	(51,148)	14,400
Capital contribution	14,192	-	-		-	126,308	-	-	-	24,151	-	-	150,459	-	164,651	-
Change in net position	(18,760)	-	(34,235)	-	(34,235)	125,437	16,676	(1,110)	171	23,232	2,092	-	132,263	-	113,503	14,400
Total net position, beginning of year	307,576	7,000	5,008		12,008	-	500	3,328	54,664	3,512	28,531	-	102,543	38,130	448,249	433,849
Subtotal net position, end of year	288,816	7,000	(29,227)	-	(22,227)	125,437	17,176	2,218	54,835	26,744	30,623	-	234,806	38,130	561,752	448,249
Net investment in capital assets	(25,666)	(3,018)	(3,426)		(6,444)	(125,437)	(16,676)	-	-	(23,232)	-	-	(171,789)	197,455	-	-
Total net position, end of year	$ 263,150	$ 3,982	$ (32,653)	$ -	$ (28,671)	$ -	$ 500	$ 2,218	$ 54,835	$ 3,512	$ 30,623	$ -	$ 63,017	$ 235,585	$ 561,752	$ 448,249

II. Government Auditing Standards Section

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Building a better working world

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, 2019, 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 30, 2019.

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

Ernst + Young LLP

September 30, 2019