



**Hudson Yards
Development Corporation**

A Component Unit of The City of New York

**Financial Statements
(Together with Independent Auditors' Report)**

June 30, 2019 and 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**HUDSON YARDS DEVELOPMENT CORPORATION
(A Component Unit of The City of New York)**

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

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors
and the Audit Committee of the
Hudson Yards Development Corporation

We have audited the accompanying financial statements of the governmental activities of Hudson Yards Development Corporation ("HYDC"), a component unit of The City of New York, which comprise the government-wide statements of net position (deficit) as of June 30, 2019 and 2018, and the statements of activities for the years then ended, and the governmental funds balance sheets as of June 30, 2019 and 2018, and the statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Hudson Yards Development Corporation as of June 30, 2019 and 2018, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marks Paneth LLP

New York, NY
September 26, 2019

HUDSON YARDS DEVELOPMENT CORPORATION
(A Component Unit of The City of New York)

Management's Discussion and Analysis
As of and for the Years Ended June 30, 2019 and 2018
(unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial activities of the Hudson Yards Development Corporation ("HYDC") as of and for the years ended June 30, 2019 and 2018. It should be read in conjunction with HYDC's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements and (4) notes to the financial statements.

The government-wide financial statements, which include the statements of net position (deficit) and the statements of activities, are presented to provide information about HYDC as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of HYDC's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

HYDC's governmental funds financial statements are presented using the current financial resources measurement focus, and the modified accrual basis of accounting in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred.

As of June 30, 2019 and 2018, all of HYDC's assets are currently available financial resources, and there are no general long-term liabilities. Therefore, there are no differences between the government-wide financial statements and its governmental funds statements of revenues, expenditures and changes in fund balances and balance sheets as of and for the years ended June 30, 2019 and 2018, and no reconciliations are provided.

ORGANIZATIONAL OVERVIEW

HYDC's purpose is to manage and implement the development and redevelopment activities (the "Project") on the west side of the borough of Manhattan in an area generally bounded by Seventh and Eighth Avenues on the east, West 43rd Street on the north, Twelfth Avenue on the west and West 29th and 30th Streets on the south (the "Project Area"). The Project consists of: (1) the design and construction of an extension of the No. 7 Subway from Seventh Avenue and West 41st Street to a new terminal at Eleventh Avenue and West 34th Street (the "No. 7 Subway Construction"); (2) acquisition from the Metropolitan Transportation Authority ("MTA") of certain transferable development rights over its rail yards between Tenth and Eleventh Avenues and between West 30th and West 33rd Streets ("Eastern Rail Yards" or "ERY"); (3) construction of certain public amenities in the Project Area, including a system of parks, public open spaces, and streets ("Public Amenities"); and (4) property acquisition for the Project.

HUDSON YARDS DEVELOPMENT CORPORATION
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(unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following summarizes HYDC's assets, liabilities and net position as of June 30, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change 2019 vs. 2018</u>	<u>Change 2018 vs. 2017</u>
Assets:					
Unrestricted cash and cash equivalents	\$ 21,646	\$ 41,406	\$ 89,002	\$ (19,760)	\$ (47,596)
Restricted cash and cash equivalents	-	13,000	5,500	(13,000)	7,500
Receivable from Hudson Yards					
Infrastructure Corporation	124,550	-	44,318	124,550	(44,318)
Other receivables	357	245	-	112	245
Prepaid expenses	338	501	394	(163)	107
Total Assets	<u>146,891</u>	<u>55,152</u>	<u>139,214</u>	<u>91,739</u>	<u>(84,062)</u>
Liabilities:					
Accounts payable - operating	48,313	85,161	67,418	(36,848)	17,743
Accounts payable - project	69,550	-	44,318	69,550	(44,318)
Other current liabilities - project	-	13,000	5,500	(13,000)	7,500
Accrued operating expenses	27,175	26,652	33,819	523	(7,167)
Total Liabilities	<u>145,038</u>	<u>124,813</u>	<u>151,055</u>	<u>20,225</u>	<u>(26,242)</u>
Net position (deficit):					
Unrestricted	1,853	(69,661)	(11,841)	71,514	(57,820)
Total Net Position (Deficit)	<u>\$ 1,853</u>	<u>\$ (69,661)</u>	<u>\$ (11,841)</u>	<u>\$ 71,514</u>	<u>\$ (57,820)</u>

The increase in total assets in fiscal year 2019 of \$91,739 and decrease in fiscal year 2018 of \$84,062 was due to the difference between collections of revenue and payment of expenses during each fiscal year. The decrease in restricted cash and cash equivalents in fiscal year 2019 of \$13,000 and increase in fiscal 2018 of \$7,500 was the result of timing in the payment of Project liabilities at year-end. The receivable from the Hudson Yards Infrastructure Corporation ("HYIC") in fiscal year 2019 consisted of condemnation counsel expenses that were incurred, but not yet paid and expenses paid, but not yet reimbursed for by the end of the fiscal year. There were no receivables from HYIC as of June 30, 2018 as all condemnation counsel expenses were paid prior to the end of the fiscal year.

The increase in total liabilities in fiscal year 2019 of \$20,225 and decrease in fiscal year 2018 of \$26,242 was due to changes in liabilities and expenses during each fiscal year. The balance in other current liabilities for fiscal years 2019 and 2018 reflects changes in the liability related to the appraisals necessary for the sale of Eastern Rail Yards Transferable Development Rights ("ERYTDRs") to owners of certain properties within the Large Scale Plan Subdistrict ("Subdistrict A") of the Special Hudson Yards District.

The net position increase in fiscal year 2019 of \$71,514 and decrease in fiscal year 2018 of \$57,820 was a result of changes to the assets and liabilities noted above.

HUDSON YARDS DEVELOPMENT CORPORATION
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(unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

The following summarizes the activities of HYDC for the years ended June 30, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change 2019 vs. 2018</u>	<u>Change 2018 vs. 2017</u>
Revenues:					
Hudson Yards Infrastructure Corporation payments	\$ 1,186,350	\$ 2,013,434	\$ 673,736	\$ (827,084)	\$ 1,339,698
Eastern Rail Yards	22,000	11,000	44,500	11,000	(33,500)
Interest and miscellaneous revenue	722	371	177	351	194
Total revenues	<u>1,209,072</u>	<u>2,024,805</u>	<u>718,413</u>	<u>(815,733)</u>	<u>1,306,392</u>
Expenses:					
General and administrative	639,358	952,691	611,283	(313,333)	341,408
Project	498,200	1,129,934	260,597	(631,734)	869,337
Total expenses	<u>1,137,558</u>	<u>2,082,625</u>	<u>871,880</u>	<u>(945,067)</u>	<u>1,210,745</u>
Change in net position	71,514	(57,820)	(153,467)	129,334	95,647
Net position (deficit) - beginning of year	<u>(69,661)</u>	<u>(11,841)</u>	<u>141,626</u>	<u>(57,820)</u>	<u>(153,467)</u>
Net position (deficit) - end of year	<u>\$ 1,853</u>	<u>\$ (69,661)</u>	<u>\$ (11,841)</u>	<u>\$ 71,514</u>	<u>\$ (57,820)</u>

Revenue from HYIC decreased in fiscal year 2019 by \$827,084 and increased in fiscal year 2018 by \$1,339,698 as a result of changes in Project and administrative expenses.

During fiscal years 2019 and 2018, HYDC received revenues and incurred expenses of \$22,000 and \$11,000, respectively, related to the appraisals necessary for the sale of ERYTDRs to owners of certain properties within Subdistrict A of the Special Hudson Yards District.

Expenses decreased in fiscal year 2019 by \$945,067 due to a decrease of 56% in Project expenses and 33% in general and administrative expenses primarily related to the decrease in personnel and Project oversight consultant costs. Expenses increased in fiscal year 2018 by \$1,210,745 due to an increase of 334% in Project expenses and 56% in general and administrative expenses primarily related to an increase in personnel and Project oversight consultant costs.

Net position increased in fiscal year 2019 by \$71,514 and decreased in fiscal year 2018 by \$57,820 as a result of the revenue and expenses noted above.

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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

HYDC reports governmental activity using two funds: a general fund (“GF”) and a capital projects fund (“CPF”). The GF accounts for and reports all financial resources not accounted for in the CPF, generally HYDC’s administrative expenditures. The CPF accounts for the resources for payment of Project related expenditures.

The following summarizes the changes in the GF balances for the years ended June 30, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change 2019 vs. 2018</u>	<u>Change 2018 vs. 2017</u>
Revenues:					
Hudson Yards Infrastructure Corporation payments	\$ 710,150	\$ 894,500	\$ 457,639	\$ (184,350)	\$ 436,861
Interest and miscellaneous revenue	<u>722</u>	<u>371</u>	<u>177</u>	<u>351</u>	<u>194</u>
Total revenues	<u>710,872</u>	<u>894,871</u>	<u>457,816</u>	<u>(183,999)</u>	<u>437,055</u>
Expenditures:					
General and administrative	<u>639,358</u>	<u>952,691</u>	<u>611,283</u>	<u>(313,333)</u>	<u>341,408</u>
Total expenditures	<u>639,358</u>	<u>952,691</u>	<u>611,283</u>	<u>(313,333)</u>	<u>341,408</u>
Net change in fund balance	71,514	(57,820)	(153,467)	129,334	95,647
Fund balance (deficit) - beginning of year	<u>(69,661)</u>	<u>(11,841)</u>	<u>141,626</u>	<u>(57,820)</u>	<u>(153,467)</u>
Fund balance (deficit) - end of year	<u>\$ 1,853</u>	<u>\$ (69,661)</u>	<u>\$ (11,841)</u>	<u>\$ 71,514</u>	<u>\$ (57,820)</u>

The total GF revenue decreased by \$183,999 in fiscal year 2019 primarily due to a decrease in consultant fees for Project oversight. The total GF revenue increased in fiscal year 2018 by \$437,055 primarily due to an increase in consulting fees for Project oversight, in addition to the timing of revenue received for fiscal year 2017. The total GF expenditures decreased in fiscal year 2019 by \$313,333 and increased in fiscal year 2018 by \$341,408 primarily due to changes in Project oversight consultant expenditures.

The changes in GF fund balances were a result of changes in revenue and expenditures as noted above.

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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)

The following summarizes the changes in the CPF balances for the years ended June 30, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change 2019 vs. 2018</u>	<u>Change 2018 vs. 2017</u>
Revenues:					
Hudson Yards Infrastructure					
Corporation payments	\$ 476,200	\$ 1,118,934	\$ 216,097	\$ (642,734)	\$ 902,837
Eastern Rail Yards	22,000	11,000	44,500	11,000	(33,500)
Total revenues	<u>498,200</u>	<u>1,129,934</u>	<u>260,597</u>	<u>(631,734)</u>	<u>869,337</u>
Expenditures:					
Project	498,200	1,129,934	260,597	(631,734)	869,337
Total expenditures	<u>498,200</u>	<u>1,129,934</u>	<u>260,597</u>	<u>(631,734)</u>	<u>869,337</u>
Net change in fund balance	-	-	-	-	-
Fund balance - beginning of year	-	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The total CPF revenues and expenditures decreased in fiscal year 2019 by \$631,734. This was a result of a decrease of 57% in condemnation counsel expenditures offset by an increase of 100% in expenditures related to the appraisals necessary for the sale of ERYTDRs to owners of certain properties within Subdistrict A of the Special Hudson Yards District.

The total CPF revenues and expenditures increased in fiscal year 2018 by \$869,337. This was a result of an increase of 418% in condemnation counsel expenditures offset by a decrease of 75% in expenditures related to the appraisals necessary for the sale of ERYTDRs to owners of certain properties within Subdistrict A of the Special Hudson Yards District.

The zero fund balance in the CPF at the end of fiscal years 2019 and 2018 indicates that the capital projects funds received have been expended.

HUDSON YARDS DEVELOPMENT CORPORATION
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Management's Discussion and Analysis
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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)

The following summarizes the GF assets, liabilities and fund balances as of June 30, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change 2019 vs. 2018</u>	<u>Change 2018 vs. 2017</u>
Assets:					
Unrestricted cash and cash equivalents	\$ 21,646	\$ 41,406	\$ 89,002	\$ (19,760)	\$ (47,596)
Due from capital projects fund	55,000	-	-	55,000	-
Other receivables	357	245	-	112	245
Prepaid expenses	338	501	394	(163)	107
Total assets	<u>\$ 77,341</u>	<u>\$ 42,152</u>	<u>\$ 89,396</u>	<u>\$ 35,189</u>	<u>\$ (47,244)</u>
Liabilities:					
Accounts payable and accrued operating expenses	\$ 75,488	\$ 111,813	\$ 101,237	\$ (36,325)	\$ 10,576
Total liabilities	<u>75,488</u>	<u>111,813</u>	<u>101,237</u>	<u>(36,325)</u>	<u>10,576</u>
Fund balance (deficit):					
Nonspendable prepaid expenses	338	501	394	(163)	107
Unassigned	1,515	(70,162)	(12,235)	71,677	(57,927)
Total fund balance (deficit)	<u>1,853</u>	<u>(69,661)</u>	<u>(11,841)</u>	<u>71,514</u>	<u>(57,820)</u>
Total liabilities and fund balance (deficit)	<u>\$ 77,341</u>	<u>\$ 42,152</u>	<u>\$ 89,396</u>	<u>\$ 35,189</u>	<u>\$ (47,244)</u>

The total GF assets increased in fiscal year 2019 by \$35,189 and decreased in fiscal year 2018 by \$47,244, respectively, due to the difference between collections of revenue and payments of operating expenditures during the fiscal year. The increase of \$55,000 due from the CPF in fiscal year 2019 was a result of Project-related expenditures paid by the GF at the end of the fiscal year.

The total GF liabilities decreased by \$36,325 and increased by \$10,576 in fiscal years 2019 and 2018, respectively, due to changes in operating liabilities and expenditures during the fiscal years.

The fund balance increased by \$71,514 in fiscal year 2019 and decreased by \$57,820 in fiscal year 2018 as a result of changes to the assets and liabilities noted above.

HUDSON YARDS DEVELOPMENT CORPORATION
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Management's Discussion and Analysis
As of and for the Years Ended June 30, 2019 and 2018
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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)

The following summarizes the CPF assets, liabilities and fund balances as of June 30, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change 2019 vs. 2018</u>	<u>Change 2018 vs. 2017</u>
Assets:					
Restricted cash and cash equivalents	\$ -	\$ 13,000	\$ 5,500	\$ (13,000)	\$ 7,500
Receivable from Hudson Yards Infrastructure Corporation	124,550	-	44,318	124,550	(44,318)
Total assets	<u>\$ 124,550</u>	<u>\$ 13,000</u>	<u>\$ 49,818</u>	<u>\$ 111,550</u>	<u>\$ (36,818)</u>
Liabilities:					
Accounts payable	\$ 69,550	\$ -	\$ 44,318	\$ 69,550	\$ (44,318)
Due to general fund	55,000	-	-	55,000	-
Other current liabilities	-	13,000	5,500	(13,000)	7,500
Total liabilities	<u>124,550</u>	<u>13,000</u>	<u>49,818</u>	<u>111,550</u>	<u>(36,818)</u>
Fund Balance:					
Restricted	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance (deficit)	<u>\$ 124,550</u>	<u>\$ 13,000</u>	<u>\$ 49,818</u>	<u>\$ 111,550</u>	<u>\$ (36,818)</u>

The total CPF assets and liabilities increased in fiscal year 2019 by \$111,550 and decreased in fiscal year 2018 by \$36,818, respectively, primarily as a result of the changes in receivables required to pay Project expenditures. The \$55,000 due to the GF in fiscal year 2019 was a result of Project-related expenditures paid by the GF at the end of the fiscal year.

The CPF had no restricted funds at the end of fiscal years 2019 and 2018. HYDC only requested and received Project funds for actual Project-related expenditures incurred, thereby having no fund balances at June 30, 2019 and 2018.

This financial report is designed to provide a general overview of HYDC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Hudson Yards Development Corporation, One Liberty Plaza, 165 Broadway, 14th Floor, New York, NY 10006.

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HUDSON YARDS DEVELOPMENT CORPORATION
(A Component Unit of The City of New York)

Statements of Net Position (Deficit)
As of June 30, 2019 and 2018

	2019	2018
Assets		
Unrestricted cash and cash equivalents	\$ 21,646	\$ 41,406
Restricted cash and cash equivalents	-	13,000
Receivable from Hudson Yards Infrastructure Corporation	124,550	-
Other receivables	357	245
Prepaid expenses	338	501
Total assets	\$ 146,891	\$ 55,152
Liabilities		
Accounts payable - operating	\$ 48,313	\$ 85,161
Accounts payable - project	69,550	-
Other current liabilities - project	-	13,000
Accrued operating expenses	27,175	26,652
Total liabilities	145,038	124,813
Net position (deficit)		
Unrestricted	1,853	(69,661)
Total net position (deficit)	1,853	(69,661)
Total liabilities and net position (deficit)	\$ 146,891	\$ 55,152

See accompanying notes to the financial statements.

HUDSON YARDS DEVELOPMENT CORPORATION
(A Component Unit of The City of New York)

Statements of Activities
For the Years Ended June 30, 2019 and 2018

	2019	2018
Revenues		
Hudson Yards Infrastructure Corporation payments	\$ 1,186,350	\$ 2,013,434
Eastern Rail Yards	22,000	11,000
Interest and miscellaneous revenue	722	371
Total revenues	1,209,072	2,024,805
Expenses		
General and administrative	639,358	952,691
Project	498,200	1,129,934
Total expenses	1,137,558	2,082,625
Change in net position	71,514	(57,820)
Net position (deficit) - Beginning of year	(69,661)	(11,841)
Net position (deficit) - End of year	\$ 1,853	\$ (69,661)

HUDSON YARDS DEVELOPMENT CORPORATION
(A Component Unit of The City of New York)

Governmental Funds Balance Sheet
As of June 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Unrestricted cash and cash equivalents	\$ 21,646	\$ -	\$ 21,646
Receivable from Hudson Yards Infrastructure Corporation	-	124,550	124,550
Due from capital projects fund	55,000		55,000
Other receivables	357	-	357
Prepaid expenses	338	-	338
	Total assets	Total	Total
	\$ 77,341	\$ 124,550	\$ 201,891
Liabilities			
Accounts payable	\$ 48,313	\$ 69,550	\$ 117,863
Due to general fund	-	55,000	55,000
Accrued operating expenses	27,175	-	27,175
	Total liabilities	Total	Total
	75,488	124,550	200,038
Fund balance			
Nonspendable - prepaid expenses	338	-	338
Unassigned	1,515	-	1,515
	Total fund balance	Total	Total
	1,853	-	1,853
	Total liabilities and fund balance	Total	Total
	\$ 77,341	\$ 124,550	\$ 201,891

See accompanying notes to the financial statements.

HUDSON YARDS DEVELOPMENT CORPORATION
(A Component Unit of The City of New York)

Governmental Funds Balance Sheet
As of June 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Unrestricted cash and cash equivalents	\$ 41,406	\$ -	\$ 41,406
Restricted cash and cash equivalents	-	13,000	13,000
Other receivables	245	-	245
Prepaid expenses	501	-	501
Total assets	<u>\$ 42,152</u>	<u>\$ 13,000</u>	<u>\$ 55,152</u>
Liabilities			
Accounts payable	\$ 85,161	\$ -	\$ 85,161
Other current liabilities	-	13,000	13,000
Accrued operating expenses	26,652	-	26,652
Total liabilities	<u>111,813</u>	<u>13,000</u>	<u>124,813</u>
Fund balance (deficit)			
Nonspendable - prepaid expenses	501	-	501
Unassigned	(70,162)	-	(70,162)
Total fund balance (deficit)	<u>(69,661)</u>	<u>-</u>	<u>(69,661)</u>
Total liabilities and fund balance (deficit)	<u>\$ 42,152</u>	<u>\$ 13,000</u>	<u>\$ 55,152</u>

See accompanying notes to the financial statements.

HUDSON YARDS DEVELOPMENT CORPORATION
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Hudson Yards Infrastructure Corporation payments	\$ 710,150	\$ 476,200	\$ 1,186,350
Eastern Rail Yards	-	22,000	22,000
Interest and miscellaneous revenue	722	-	722
Total revenues	710,872	498,200	1,209,072
Expenditures			
General and administrative	639,358	-	639,358
Project	-	498,200	498,200
Total expenditures	639,358	498,200	1,137,558
Net change in fund balance	71,514	-	71,514
Fund balance (deficit) - Beginning of year	(69,661)	-	(69,661)
Fund balance - End of year	\$ 1,853	\$ -	\$ 1,853

HUDSON YARDS DEVELOPMENT CORPORATION
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Hudson Yards Infrastructure Corporation payments	\$ 894,500	\$ 1,118,934	\$ 2,013,434
Eastern Rail Yards	-	11,000	11,000
Interest and miscellaneous revenue	371	-	371
Total revenues	<u>894,871</u>	<u>1,129,934</u>	<u>2,024,805</u>
Expenditures			
General and administrative	952,691	-	952,691
Project	-	1,129,934	1,129,934
Total expenditures	<u>952,691</u>	<u>1,129,934</u>	<u>2,082,625</u>
Net change in fund balance	(57,820)	-	(57,820)
Fund balance (deficit) - Beginning of year	<u>(11,841)</u>	<u>-</u>	<u>(11,841)</u>
Fund balance (deficit) - End of year	<u>\$ (69,661)</u>	<u>\$ -</u>	<u>\$ (69,661)</u>

HUDSON YARDS DEVELOPMENT CORPORATION
(A Component Unit of The City of New York)

Notes to Financial Statements
As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 – ORGANIZATION

Hudson Yards Development Corporation (“HYDC”) is a local development corporation organized under the New York State Not-For-Profit Corporation Law. It was created by The City of New York (“The City”) to manage and implement its economic development initiative to redevelop the Project Area. Although legally separate from The City, HYDC is an instrumentality of The City and, accordingly, is included in The City’s financial statements as a blended component unit, in accordance with Governmental Accounting Standards Board (“GASB”) standards.

HYDC is governed by a Board of Directors (the “Board”) of thirteen directors, all of whom serve ex-officio by virtue of their position as an official or employee of The City. A majority of the members of the Board serve as officials or employees of The City at the pleasure of the Mayor of The City (“Mayor”).

HYDC works with various City and State agencies and authorities and with private developers on the design and construction and implementation of the various elements of the Project and to further private development and redevelopment of the Project Area.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Measurement Focus and Basis of Accounting*

The government-wide financial statements of HYDC, which include the statements of net position (deficit) and the statements of activities, are presented to provide information about the reporting entity as a whole, in accordance with GASB standards. The statements of net position (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred, regardless of the timing of cash flows.

HYDC’s governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenue is generally considered available if expected to be received within one year after period end. Expenditures are recognized when the related liability is incurred.

As there are no differences between HYDC’s government-wide financial statements and its governmental fund financial statements as of and for the years ended June 30, 2019 and 2018, no reconciliations are provided.

HYDC uses two governmental funds for reporting its activities: a general fund (“GF”) and a capital projects fund (“CPF”). The CPF accounts for the resources for payment of Project related expenses, and the GF is used to account for and report all financial resources not accounted for in the CPF, generally HYDC’s administrative expenses.

B. *Net Position/Fund Balances*

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

HUDSON YARDS DEVELOPMENT CORPORATION
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Notes to Financial Statements
As of and for the Years Ended June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board constitutes HYDC's highest level of decision-making authority. Resolutions adopted by the Board which constrain fund balances for a specific purpose are accounted for and reported as committed for such purpose unless, and until, a subsequent resolution altering the commitment is adopted by the Board.

When both restricted and unrestricted resources are available for use for a specific purpose, HYDC will use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, HYDC will use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Resources constrained for capital projects in accordance with certain funding agreements are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

C. *Cash Equivalents*

HYDC considers all highly liquid instruments with maturities of three months or less when acquired to be cash equivalents.

D. *Capital Assets*

HYDC does not own any Project assets. Therefore, HYDC reports no infrastructure assets or construction work in progress.

For fixed assets used in the operations of HYDC, HYDC's policy is to capitalize the purchase or construction costs of assets having a minimum useful life of five years and having a cost of more than \$35,000. No such assets have been acquired or constructed.

E. *Revenue Recognition*

HYDC recognizes Hudson Yards Infrastructure Corporation ("HYIC") payments for operating expenses as revenue when received. HYIC payments for Project expenses and other grants are recognized as revenues when the related Project expenses are incurred.

F. *Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires HYDC's management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. *Recent Accounting Pronouncements*

As a component unit of The City, HYDC implements new GASB standards in the same fiscal year as they are implemented by The City. The following are discussions of the standards requiring implementation in the current year and standards which may impact HYDC in future years.

HUDSON YARDS DEVELOPMENT CORPORATION
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Notes to Financial Statements
As of and for the Years Ended June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, (“GASB 84”). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. HYDC has not completed the process of evaluating GASB 84 but does not expect it to have an impact on HYDC’s financial statements, as it does not engage in fiduciary activities.
- In June 2017, GASB issued Statement No. 87, *Leases*, (“GASB 87”). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. HYDC has not completed the process of evaluating GASB 87 but does not expect it to have an impact on HYDC’s financial statements, as HYDC has not entered into any lease agreements.
- In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, (“GASB 88”). The objective of GASB 88 is to improve consistency in the information that is disclosed in notes to government financial statements related to debt by defining debt for the purpose of note disclosure and establishes additional note disclosure requirements related to debt obligations of governments, including direct borrowing and direct placements. The requirements of GASB 88 are effective for fiscal years beginning after June 15, 2018. The adoption of GASB 88 did not have an impact on HYDC’s financial statements.
- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, (“GASB 89”). The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for certain interest costs by requiring interest costs incurred before the end of a construction period to be recognized as an expense/expenditure in governmental fund and government-wide financial statements. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2019. HYDC has not completed the process of evaluating GASB 89 but does not expect it to have an impact on HYDC’s financial statements.
- In September 2018, GASB issued Statement No. 90, *Majority Equity Interests*, (“GASB 90”). GASB 90 clarifies the accounting and financial reporting requirements for a state or local government’s majority equity interest in an organization that remains legally separate after acquisition. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2018. HYDC has not completed the process of evaluating GASB 90 but does not expect it to have an impact on HYDC’s financial statements.

**HUDSON YARDS DEVELOPMENT CORPORATION
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**Notes to Financial Statements
As of and for the Years Ended June 30, 2019 and 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents that potentially subject HYDC to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The FDIC provides deposit insurance coverage of up to \$250,000 per depositor. As of June 30, 2019 and 2018, HYDC’s cash consisted of bank deposits in the amount of \$21,646 and \$54,406, respectively. Such amounts include outstanding checks. Balances in excess of \$250,000 are required to be collateralized at 105% of value, as outlined in Section 105 and Section 106 of the New York State Finance Law. As of June 30, 2019 and 2018, JPMorgan Chase Bank, N.A. maintained no collateral for HYDC’s three active accounts.

NOTE 4 – DEFINED CONTRIBUTION PLAN

HYDC’s Defined Contribution Pension Plan for Employees (the “Pension Plan”) is a single employer plan which was established October 12, 2006. The Pension Plan covers all HYDC employees who have completed one year of service if exempt, (employees not entitled to overtime pay), and a minimum of 1,000 hours of service if non-exempt, (employees entitled to overtime pay), or have been previous City of New York agency (“City”) or New York City Economic Development Corporation (“EDC”) employees and completed a minimum of two years of full-time employment or 2,750 hours of service.

The Pension Plan consists of an amount for each eligible employee, calculated based on his or her gross compensation and length of service, according to the chart below. In the circumstances where a previous City or EDC employee is eligible, per the above paragraph, the employee’s prior service for The City or EDC shall be treated as one year of HYDC service for the purposes of Plan eligibility, allocation accrual and vesting.

Period of Service HYDC contribution percentage	Exempt: less than 1 year of service	Beginning with the 2nd year	Beginning with the 3rd year	Beginning with the 4th year
	Non-Exempt: less than 1,000 hours of service			
	0%	6%	12%	14%
Vesting percentage	0%	0%	50%	100%

HUDSON YARDS DEVELOPMENT CORPORATION
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Notes to Financial Statements
As of and for the Years Ended June 30, 2019 and 2018

NOTE 4 – DEFINED CONTRIBUTION PLAN (continued)

For the years ended June 30, 2019 and 2018, HYDC contributed \$24,363 and \$30,785, respectively, to the Pension Plan.

HYDC has no other postemployment benefits.

HYDC employees were eligible to participate in a deferred compensation plan in accordance with the Internal Revenue Code Section 457. HYDC established a trust or custodial account to hold plan assets for the exclusive use of the participants and their beneficiaries. Accordingly, at June 30, 2019 and 2018, plan assets and liabilities are not reflected in the accompanying financial statements.

NOTE 5 – RETROACTIVE ASSIGNMENT TO HYDC OF RETAINER ASSIGNMENT

In September 2008, the retainer agreement (the “Retainer Agreement”) between The City of New York Law Department (the “Law Department”) and Carter, Ledyard & Milburn (“CLM”) to provide legal, appraisal, title search and other associated services (“Services”), was assigned to HYDC, retroactive to September 1, 2006. HYDC amended the Retainer Agreement to increase the contract amount to \$8,000,000, again in April 2011, to \$10,000,000, then again in November 2014, to \$13,000,000. The term was extended until the earlier of the completion of the Services or the performance of Services in the amount of the \$13,000,000. Pursuant to such assignment and amendment, HYDC is now responsible for payments to CLM under the Retainer Agreement. Such payments are funded by HYIC. For the years ended June 30, 2019 and 2018, condemnation counsel expenses paid to CLM amounted to \$476,200 and \$1,118,934, respectively, and such amounts are included in Project expenses in the accompanying financial statements.

NOTE 6 – CONTINGENCIES

HYDC is involved in several personal injury actions allegedly arising out of accidents and incidents occurring on or about the Project Area. Management believes that any liabilities arising from such claims would be covered either by indemnification protections pursuant to existing agreements between HYDC and The City, or by liability insurance/contractual indemnification of third parties, such as contractors. Accordingly, management believes the potential aggregate liability for all such claims would not have a material adverse effect on HYDC’s net position.

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