



**Hudson Yards  
Development Corporation**

**A Component Unit of The City of New York**

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

**June 30, 2020 and 2019**

**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, 2020 AND 2019**

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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, as of and for the years ended June 30, 2020 and 2019, which collectively comprise HYDC's basic financial statements as listed in the table of contents, 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, 2020 and 2019, 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 29, 2020

**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, 2020 and 2019  
(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, 2020 and 2019. 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, 2020 and 2019, 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 balance sheets and statements of revenues, expenditures and changes in fund balances as of and for the years ended June 30, 2020 and 2019, 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 43<sup>rd</sup> Street on the north, Twelfth Avenue on the west and West 29<sup>th</sup> and 30<sup>th</sup> 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 41<sup>st</sup> Street to a new terminal at Eleventh Avenue and West 34<sup>th</sup> 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 30<sup>th</sup> and West 33<sup>rd</sup> 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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**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The following summarizes HYDC's assets, liabilities and net position (deficit) as of June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2020 vs. 2019</u>	<u>Change 2019 vs. 2018</u>
<b>Assets:</b>					
Unrestricted cash and cash equivalents	\$ 71,188	\$ 21,646	\$ 41,406	\$ 49,542	\$ (19,760)
Restricted cash and cash equivalents	-	-	13,000	-	(13,000)
Receivable from Hudson Yards Infrastructure Corporation	122,472	124,550	-	(2,078)	124,550
Other receivables	-	357	245	(357)	112
Prepaid expenses and other assets	506	338	501	168	(163)
<b>Total Assets</b>	<u>194,166</u>	<u>146,891</u>	<u>55,152</u>	<u>47,275</u>	<u>91,739</u>
<b>Liabilities:</b>					
Accounts payable - operating	51,281	48,313	85,161	2,968	(36,848)
Accounts payable - project	122,472	69,550	-	52,922	69,550
Other current liabilities - project	-	-	13,000	-	(13,000)
Accrued operating expenses	35,391	27,175	26,652	8,216	523
<b>Total Liabilities</b>	<u>209,144</u>	<u>145,038</u>	<u>124,813</u>	<u>64,106</u>	<u>20,225</u>
<b>Net position (deficit):</b>					
Unrestricted	(14,978)	1,853	(69,661)	(16,831)	71,514
<b>Total Net Position (Deficit)</b>	<u>\$ (14,978)</u>	<u>\$ 1,853</u>	<u>\$ (69,661)</u>	<u>\$ (16,831)</u>	<u>\$ 71,514</u>

The increase in total assets in fiscal years 2020 and 2019 of \$47,275 and \$91,739, respectively, was due to the difference between collections of revenue and payment of expenses during each fiscal year. There were no restricted cash and cash equivalents in fiscal year 2020 and the decrease in fiscal year 2019 was the result of timing in payment of Project liabilities at year-end. The receivable from the Hudson Yards Infrastructure Corporation ("HYIC") in fiscal year 2020 consisted of condemnation counsel expenses that were incurred, but not yet paid by the end of the fiscal year. The receivable from HYIC in fiscal year 2019 consisted of condemnation counsel expenses that were incurred, but not yet paid and \$55,000 of expenses paid, but not yet reimbursed for by the end of the fiscal year.

The increase in total liabilities in fiscal years 2020 and 2019 of \$64,106 and \$20,225, respectively was due to timing in payment of general operating and Project-related expenses during each fiscal year. The decrease in other current liabilities in fiscal year 2019 of \$13,000 reflects the payment of Project liabilities 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 decrease in fiscal year 2020 of \$16,831 and increase in fiscal year 2019 of \$71,514 was a result of changes to the assets and liabilities noted above.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
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Management's Discussion and Analysis  
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**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)**

The following summarizes the activities of HYDC for the years ended June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2020 vs. 2019</u>	<u>Change 2019 vs. 2018</u>
<b>Revenues:</b>					
Hudson Yards Infrastructure Corporation payments	\$ 1,355,252	\$ 1,186,350	\$ 2,013,434	\$ 168,902	\$ (827,084)
Eastern Rail Yards	-	22,000	11,000	(22,000)	11,000
Interest and miscellaneous revenue	<u>322</u>	<u>722</u>	<u>371</u>	<u>(400)</u>	<u>351</u>
<b>Total revenues</b>	<u>1,355,574</u>	<u>1,209,072</u>	<u>2,024,805</u>	<u>146,502</u>	<u>(815,733)</u>
<b>Expenses:</b>					
General and administrative	664,271	639,358	952,691	24,913	(313,333)
Project	<u>708,134</u>	<u>498,200</u>	<u>1,129,934</u>	<u>209,934</u>	<u>(631,734)</u>
<b>Total expenses</b>	<u>1,372,405</u>	<u>1,137,558</u>	<u>2,082,625</u>	<u>234,847</u>	<u>(945,067)</u>
<b>Change in net position</b>	(16,831)	71,514	(57,820)	(88,345)	129,334
<b>Net position (deficit) - beginning of year</b>	<u>1,853</u>	<u>(69,661)</u>	<u>(11,841)</u>	<u>71,514</u>	<u>(57,820)</u>
<b>Net position (deficit) - end of year</b>	<u>\$ (14,978)</u>	<u>\$ 1,853</u>	<u>\$ (69,661)</u>	<u>\$ (16,831)</u>	<u>\$ 71,514</u>

Revenue from HYIC increased in fiscal year 2020 by \$168,902 and decreased in fiscal year 2019 by \$827,084 as a result of changes in Project and administrative expenses.

The revenue received and expenses incurred related to the appraisals necessary for the sale of ERYTDRs to owners of certain properties within Subdistrict A of the Special Hudson Yards District in fiscal years 2020 and 2019 were \$0 and \$22,000, respectively.

Expenses increased in fiscal year 2020 by \$234,847 due to an increase of 42% Project-related expenses and 4% in general and administrative expenses primarily related to the increase in personnel and Project consultant costs. Expenses decreased in fiscal year 2019 by \$945,067 due to a decrease of 56% in Project-related expenses and 33% in general and administrative expenses primarily related to the decrease in personnel and Project oversight consultant costs.

Net position decreased in fiscal year 2020 by \$16,831 and increased in fiscal year 2019 by \$71,514, 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, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2020 vs. 2019</u>	<u>Change 2019 vs. 2018</u>
<b>Revenues:</b>					
Hudson Yards Infrastructure Corporation payments	\$ 647,118	\$ 710,150	\$ 894,500	\$ (63,032)	\$ (184,350)
Interest and miscellaneous revenue	322	722	371	(400)	351
<b>Total revenues</b>	<u>647,440</u>	<u>710,872</u>	<u>894,871</u>	<u>(63,432)</u>	<u>(183,999)</u>
<b>Expenditures:</b>					
General and administrative	664,271	639,358	952,691	24,913	(313,333)
<b>Total expenditures</b>	<u>664,271</u>	<u>639,358</u>	<u>952,691</u>	<u>24,913</u>	<u>(313,333)</u>
<b>Net change in fund balance</b>	(16,831)	71,514	(57,820)	(88,345)	129,334
<b>Fund balance (deficit) - beginning of year</b>	<u>1,853</u>	<u>(69,661)</u>	<u>(11,841)</u>	<u>71,514</u>	<u>(57,820)</u>
<b>Fund balance (deficit) - end of year</b>	<u>\$ (14,978)</u>	<u>\$ 1,853</u>	<u>\$ (69,661)</u>	<u>\$ (16,831)</u>	<u>\$ 71,514</u>

The total GF revenue decreased in fiscal year 2020 and 2019 by \$63,432 and \$183,999, respectively, primarily due to a decrease in consultant fees for Project oversight.

The total GF expenditures increased in fiscal year 2020 by \$24,913 primarily due to an increase in personnel related expenditures. The total GF expenditures decreased in fiscal year 2019 by \$313,333 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, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2020 vs. 2019</u>	<u>Change 2019 vs. 2018</u>
<b>Revenues:</b>					
Hudson Yards Infrastructure					
Corporation payments	\$ 708,134	\$ 476,200	\$ 1,118,934	\$ 231,934	\$ (642,734)
Eastern Rail Yards	-	22,000	11,000	(22,000)	11,000
<b>Total revenues</b>	<u>708,134</u>	<u>498,200</u>	<u>1,129,934</u>	<u>209,934</u>	<u>(631,734)</u>
<b>Expenditures:</b>					
Project	708,134	498,200	1,129,934	209,934	(631,734)
<b>Total expenditures</b>	<u>708,134</u>	<u>498,200</u>	<u>1,129,934</u>	<u>209,934</u>	<u>(631,734)</u>
<b>Net change in fund balance</b>	-	-	-	-	-
<b>Fund balance - beginning of year</b>	-	-	-	-	-
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The total CPF revenues and expenditures increased in fiscal year 2020 by \$209,934 primarily as a result of an increase of 49% in condemnation counsel expenditures due to the inception of Phase 2 of the Project offset by a decrease 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 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 zero fund balance in the CPF at the end of fiscal years 2020 and 2019 indicate that capital projects funds received have been expended.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
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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, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2020 vs. 2019</u>	<u>Change 2019 vs. 2018</u>
<b>Assets:</b>					
Unrestricted cash and cash equivalents	\$ 71,188	\$ 21,646	\$ 41,406	\$ 49,542	\$ (19,760)
Due from capital projects fund	-	55,000	-	(55,000)	55,000
Other receivables	-	357	245	(357)	112
Prepaid expenses and other assets	506	338	501	168	(163)
<b>Total assets</b>	<u>\$ 71,694</u>	<u>\$ 77,341</u>	<u>\$ 42,152</u>	<u>\$ (5,647)</u>	<u>\$ 35,189</u>
<b>Liabilities:</b>					
Accounts payable and accrued operating expenses	\$ 86,672	\$ 75,488	\$ 111,813	\$ 11,184	\$ (36,325)
<b>Total liabilities</b>	<u>86,672</u>	<u>75,488</u>	<u>111,813</u>	<u>11,184</u>	<u>(36,325)</u>
<b>Fund balance (deficit):</b>					
Nonspendable prepaid expenses and other assets	506	338	501	168	(163)
Unassigned	(15,484)	1,515	(70,162)	(16,999)	71,677
<b>Total fund balance (deficit)</b>	<u>(14,978)</u>	<u>1,853</u>	<u>(69,661)</u>	<u>(16,831)</u>	<u>71,514</u>
<b>Total liabilities and fund balance (deficit)</b>	<u>\$ 71,694</u>	<u>\$ 77,341</u>	<u>\$ 42,152</u>	<u>\$ (5,647)</u>	<u>\$ 35,189</u>

The total GF assets decreased in fiscal year 2020 of \$5,647 and increased in fiscal year 2019 by \$35,189 due to the difference between collections of revenue and payments of operating expenditures during the fiscal year. The decrease of \$55,000 due from the CPF fund in fiscal year 2020 was a result of the collection of a Project-related liability at the end of fiscal year 2019.

The total GF liabilities increased by \$11,184 and decreased by \$36,325 in fiscal years 2020 and 2019, respectively, due to changes in operating liabilities and expenditures during the fiscal years.

The fund balance decreased by \$16,831 in fiscal year 2020 and increased by \$71,514 in fiscal year 2019 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  
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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, 2020, 2019 and 2018:

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>Change 2020 vs. 2019</b>	<b>Change 2019 vs. 2018</b>
<b>Assets:</b>					
Restricted cash and cash equivalents	\$ -	\$ -	\$ 13,000	\$ -	\$ (13,000)
Receivable from Hudson Yards Infrastructure Corporation	122,472	124,550	-	(2,078)	124,550
<b>Total assets</b>	<b>\$ 122,472</b>	<b>\$ 124,550</b>	<b>\$ 13,000</b>	<b>\$ (2,078)</b>	<b>\$ 111,550</b>
<b>Liabilities:</b>					
Accounts payable and accrued project expenses	\$ 122,472	\$ 69,550	\$ -	\$ 52,922	\$ 69,550
Due to general fund	-	55,000	-	(55,000)	55,000
Other current liabilities	-	-	13,000	-	(13,000)
<b>Total liabilities</b>	<b>122,472</b>	<b>124,550</b>	<b>13,000</b>	<b>(2,078)</b>	<b>111,550</b>
<b>Fund Balance:</b>					
Restricted	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 122,472</b>	<b>\$ 124,550</b>	<b>\$ 13,000</b>	<b>\$ (2,078)</b>	<b>\$ 111,550</b>

The total CPF assets and liabilities decreased in fiscal year 2020 by \$2,078 and increased in fiscal year 2019 by \$111,550 primarily as a result of the changes in receivables required to pay Project-related expenditures.

The decrease of \$55,000 due to the GF in fiscal year 2020 was a result of the collection of a Project-related liability at the end of fiscal year 2019.

The CPF had no restricted funds at the end of fiscal years 2020 and 2019. HYDC only requested and received Project-related funds for actual Project-related expenditures incurred, thereby having no fund balances at June 30, 2020 and 2019.

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, 1 Liberty Plaza, Floor 14, 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, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Unrestricted cash and cash equivalents	\$ 71,188	\$ 21,646
Receivable from Hudson Yards Infrastructure Corporation	122,472	124,550
Other receivables	-	357
Prepaid expenses	506	338
<b>Total assets</b>	<b>194,166</b>	<b>146,891</b>
<b>Liabilities</b>		
Accounts payable - operating	51,281	48,313
Accounts payable - project	122,472	69,550
Accrued operating expenses	35,391	27,175
<b>Total liabilities</b>	<b>209,144</b>	<b>145,038</b>
<b>Net position (deficit)</b>		
Unrestricted	(14,978)	1,853
<b>Total net position (deficit)</b>	<b>(14,978)</b>	<b>1,853</b>
<b>Total liabilities and net position</b>	<b>\$ 194,166</b>	<b>\$ 146,891</b>

**HUDSON YARDS DEVELOPMENT CORPORATION**  
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**Statements of Activities**  
**For the Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Revenues</b>		
Hudson Yards Infrastructure Corporation payments	\$ 1,355,252	\$ 1,186,350
Eastern Rail Yards	-	22,000
Interest and miscellaneous revenue	322	722
<b>Total revenues</b>	<b>1,355,574</b>	<b>1,209,072</b>
<b>Expenses</b>		
General and administrative	664,271	639,358
Project	708,134	498,200
<b>Total expenses</b>	<b>1,372,405</b>	<b>1,137,558</b>
<b>Change in net position</b>	<b>(16,831)</b>	<b>71,514</b>
<b>Net position - Beginning of year</b>	<b>1,853</b>	<b>(69,661)</b>
<b>Net position (deficit) - End of year</b>	<b>\$ (14,978)</b>	<b>\$ 1,853</b>

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, 2020**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Unrestricted cash and cash equivalents	\$ 71,188	\$ -	\$ 71,188
Receivable from Hudson Yards Infrastructure Corporation	-	122,472	122,472
Prepaid expenses	506	-	506
<b>Total assets</b>	<b>\$ 71,694</b>	<b>\$ 122,472</b>	<b>\$ 194,166</b>
<b>Liabilities</b>			
Accounts payable	\$ 51,281	\$ 122,472	\$ 173,753
Accrued operating expenses	35,391	-	35,391
<b>Total liabilities</b>	<b>86,672</b>	<b>122,472</b>	<b>209,144</b>
<b>Fund balance (deficit)</b>			
Nonspendable prepaid expenses	506		506
Unassigned	(15,484)	-	(15,484)
<b>Total fund balance (deficit)</b>	<b>(14,978)</b>	<b>-</b>	<b>(14,978)</b>
<b>Total liabilities and fund balance (deficit)</b>	<b>\$ 71,694</b>	<b>\$ 122,472</b>	<b>\$ 194,166</b>

See accompanying notes to the financial statements.

**HUDSON YARDS DEVELOPMENT CORPORATION**  
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**Governmental Funds Balance Sheet**  
**As of June 30, 2019**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
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
	<u>77,341</u>	<u>124,550</u>	<u>201,891</u>
<b>Total assets</b>	<u>\$ 77,341</u>	<u>\$ 124,550</u>	<u>\$ 201,891</u>
<b>Liabilities</b>			
Accounts payable	\$ 48,313	\$ 69,550	\$ 117,863
Due to general fund	-	55,000	55,000
Accrued operating expenses	27,175	-	27,175
	<u>75,488</u>	<u>124,550</u>	<u>200,038</u>
<b>Total liabilities</b>	<u>75,488</u>	<u>124,550</u>	<u>200,038</u>
<b>Fund balance</b>			
Nonspendable prepaid expenses	338	-	338
Unassigned	1,515	-	1,515
	<u>1,853</u>	<u>-</u>	<u>1,853</u>
<b>Total fund balance</b>	<u>1,853</u>	<u>-</u>	<u>1,853</u>
	<u>\$ 77,341</u>	<u>\$ 124,550</u>	<u>\$ 201,891</u>
<b>Total liabilities and fund balance</b>	<u>\$ 77,341</u>	<u>\$ 124,550</u>	<u>\$ 201,891</u>

See accompanying notes to the financial statements.

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

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Hudson Yards Infrastructure Corporation payments	\$ 647,118	\$ 708,134	\$ 1,355,252
Interest and miscellaneous revenue	322	-	322
<b>Total revenues</b>	<u>647,440</u>	<u>708,134</u>	<u>1,355,574</u>
<b>Expenditures</b>			
General and administrative	664,271	-	664,271
Project	-	708,134	708,134
<b>Total expenditures</b>	<u>664,271</u>	<u>708,134</u>	<u>1,372,405</u>
<b>Net change in fund balance (deficit)</b>	(16,831)	-	(16,831)
<b>Fund balance - Beginning of year</b>	<u>1,853</u>	<u>-</u>	<u>1,853</u>
<b>Fund balance (deficit) - End of year</b>	<u>\$ (14,978)</u>	<u>\$ -</u>	<u>\$ (14,978)</u>



**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**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
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
<b>Total revenues</b>	<u>710,872</u>	<u>498,200</u>	<u>1,209,072</u>
<b>Expenditures</b>			
General and administrative	639,358	-	639,358
Project	-	498,200	498,200
<b>Total expenditures</b>	<u>639,358</u>	<u>498,200</u>	<u>1,137,558</u>
<b>Net change in fund balance</b>	71,514	-	71,514
<b>Fund balance (deficit) - Beginning of year</b>	<u>(69,661)</u>	<u>-</u>	<u>(69,661)</u>
<b>Fund balance - End of year</b>	<u>\$ 1,853</u>	<u>\$ -</u>	<u>\$ 1,853</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, 2020 and 2019**

**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 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 43<sup>rd</sup> Street on the north, Twelfth Avenue on the west and West 29<sup>th</sup> and 30<sup>th</sup> Streets on the south (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 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 of Directors 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 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, 2020 and 2019, 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. 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**  
**(A Component Unit of The City of New York)**

**Notes to Financial Statements**  
**As of and for the Years Ended June 30, 2020 and 2019**

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

The Board of Directors (“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**  
**(A Component Unit of The City of New York)**

**Notes to Financial Statements**  
**As of and for the Years Ended June 30, 2020 and 2019**

**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. The adoption of GASB 84 did not have an impact on HYDC’s financial statements, as it does not enter into 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 a financing 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 a 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 it does not enter into lease agreements.
- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*, (“GASB 90”). GASB 90 clarifies the accounting and financial reporting requirements for a state and local government’s majority equity interest in an organization that remains legally separate after acquisition. The requirements of GASB 90 are effective for fiscal years beginning after December 15, 2018. The adoption of GASB 90 did not have an impact on HYDC’s financial statements, as it has not made such acquisitions.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*, (“GASB 92”). GASB 92 enhances the comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements for GASB 92 are effective for reporting periods beginning after June 15, 2020. HYDC has not completed the process of evaluating GASB 92 but does not expect it to have an impact on HYDC’s financial statements.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, (“GASB 93”). GASB 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”) – most notably, the London Interbank Offered Rate (“LIBOR”) resulting from global reference rate reform. LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements for GASB 93 are effective for reporting periods beginning after June 15, 2020. HYDC has not completed the process of evaluating GASB 93 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, 2020 and 2019**

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

- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (“GASB 94”). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. HYDC has not completed the process of evaluating GASB 94 but does not expect it to have an impact on HYDC’s financial statements as it does not enter into PPPs.
- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, (“GASB 95”). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users (governments). The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. HYDC has not completed the process of evaluating GASB 96 but does not expect it to have an impact on HYDC’s financial statements as it does not enter into SBITAs.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (“GASB 97”). The objectives of GASB 97 are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. HYDC has not completed the process of evaluating GASB 97 but does not expect it 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, 2020 and 2019, HYDC’s cash consisted of bank deposits in the amount of \$71,188 and \$21,646, respectively. 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, 2020 and 2019, JPMorgan Chase Bank, N.A. maintained no collateral for HYDC’s accounts.

**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, 2020 and 2019**

**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 employed on a full-time basis (“Prior 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 receive the equivalent years of service credit for their Prior Service for purposes of Plan eligibility, allocation accrual and vesting.

<b>Period of Service HYDC contribution percentage</b>	<b>Exempt: less than 1 year of service</b>	<b>Beginning with the 2nd year</b>	<b>Beginning with the 3rd year</b>	<b>Beginning with the 4th year</b>
	0%	6%	12%	14%
<b>Vesting percentage</b>	0%	0%	50%	100%

For the years ended June 30, 2020 and 2019, HYDC contributed \$39,519 and \$24,363, respectively, to the Pension Plan.

HYDC has no other post-employment 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, 2020 and 2019, 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, again in November 2014 to \$13,000,000 and then again in May 2020 to \$19,720,000. The term was extended until the earlier of the completion of the Services or the performance of Services in the amount of \$19,720,000. 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, 2020 and 2019, condemnation counsel expenses paid to CLM amounted to \$708,134 and \$476,200, respectively, and such amounts are included in Project expenses in the accompanying financial statements.

**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, 2020 and 2019**

**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.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. HYDC could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on HYDC's mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, HYDC cannot predict the extent to which its financial condition and results of operations will be affected.

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