



Hudson Yards Development Corporation
A Component Unit of The City of New York
Financial Statements
(Together with Independent Auditors' Report)
June 30, 2021 and 2020

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, 2021 AND 2020

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-9
Basic Financial Statements as of and for the Years Ended June 30, 2021 and 2020:	
Government-wide Financial Statements	
Statements of Net Position (Deficit)	10
Statements of Activities	11
Governmental Funds Financial Statements	
Governmental Funds Balance Sheets	12-13
Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances	14-15
Notes to Financial Statements	16-21

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of
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, 2021 and 2020, 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, 2021 and 2020, 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
August 30, 2021

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, 2021 and 2020
(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, 2021 and 2020. 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, 2021 and 2020, 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, 2021 and 2020, 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
(A Component Unit of The City of New York)

Management's Discussion and Analysis
As of and for the Years Ended June 30, 2021 and 2020
(unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following summarizes HYDC's assets, liabilities and net position as of June 30, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Change 2021 vs. 2020</u>	<u>Change 2020 vs. 2019</u>
Assets:					
Unrestricted cash and cash equivalents	\$ 131,357	\$ 71,188	\$ 21,646	\$ 60,169	\$ 49,542
Receivable from Hudson Yards Infrastructure Corporation	54,398	122,472	124,550	(68,074)	(2,078)
Other receivables	-	-	357	-	(357)
Prepaid expenses	1,281	506	338	775	168
Total assets	<u>\$ 187,036</u>	<u>\$ 194,166</u>	<u>\$ 146,891</u>	<u>\$ (7,130)</u>	<u>\$ 47,275</u>
Liabilities:					
Accounts payable - operating	\$ 58,045	\$ 51,281	\$ 48,313	\$ 6,764	\$ 2,968
Accounts payable - project	54,398	122,472	69,550	(68,074)	52,922
Accrued operating expenses	43,299	35,391	27,175	7,908	8,216
Total liabilities	<u>155,742</u>	<u>209,144</u>	<u>145,038</u>	<u>(53,402)</u>	<u>64,106</u>
Net position (deficit):					
Unrestricted	31,294	(14,978)	1,853	46,272	(16,831)
Total net position (deficit)	<u>31,294</u>	<u>(14,978)</u>	<u>1,853</u>	<u>46,272</u>	<u>(16,831)</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 187,036</u>	<u>\$ 194,166</u>	<u>\$ 146,891</u>	<u>\$ (7,130)</u>	<u>\$ 47,275</u>

The total assets decreased in fiscal year 2021 by \$7,130 and increased in fiscal year 2020 by \$47,275 due to the timing in collections of revenue and payment of expenses during each fiscal year. The receivable from the Hudson Yards Infrastructure Corporation ("HYIC") in fiscal years 2021 and 2020 consisted of condemnation counsel expenses that were incurred, but not yet paid by the end of the fiscal year.

The total liabilities decreased in fiscal year 2021 by \$53,402 and increased in fiscal year 2020 by \$64,106 due to timing in payment of general operating and Project-related expenses during each fiscal year.

The net position increase in fiscal year 2021 of \$46,272 and decrease in fiscal year 2020 of \$16,831 was a result of changes to the assets and liabilities noted above.

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, 2021 and 2020
(unaudited)

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

The following summarizes the activities of HYDC for the years ended June 30, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Change 2021 vs. 2020</u>	<u>Change 2020 vs. 2019</u>
Revenues:					
Hudson Yards Infrastructure Corporation payments	\$ 1,095,406	\$ 1,355,252	\$ 1,186,350	\$ (259,846)	\$ 168,902
Eastern Rail Yards	-	-	22,000	-	(22,000)
Interest and miscellaneous revenue	27	322	722	(295)	(400)
Total revenues	<u>1,095,433</u>	<u>1,355,574</u>	<u>1,209,072</u>	<u>(260,141)</u>	<u>146,502</u>
Expenses:					
General and administrative	826,161	664,271	639,358	161,890	24,913
Project	<u>223,000</u>	<u>708,134</u>	<u>498,200</u>	<u>(485,134)</u>	<u>209,934</u>
Total expenses	<u>1,049,161</u>	<u>1,372,405</u>	<u>1,137,558</u>	<u>(323,244)</u>	<u>234,847</u>
Change in net position (deficit)	46,272	(16,831)	71,514	63,103	(88,345)
Net position (deficit) - Beginning of year	<u>(14,978)</u>	<u>1,853</u>	<u>(69,661)</u>	<u>(16,831)</u>	<u>71,514</u>
Net position (deficit) - End of year	<u>\$ 31,294</u>	<u>\$ (14,978)</u>	<u>\$ 1,853</u>	<u>\$ 46,272</u>	<u>\$ (16,831)</u>

Revenue from HYIC decreased in fiscal year 2021 by \$259,846 and increased in fiscal year 2020 by \$168,902 primarily as a result of personnel costs and changes in Project-related expenses.

In fiscal years 2021 and 2020, HYDC did not receive revenue or incur expenses related to the appraisals necessary for the sale of Eastern Rail Yards Transferable Development Rights ("ERYTDRs") to owners of certain properties within Subdistrict A of the Special Hudson Yards District.

Expenses decreased in fiscal year 2021 by \$323,244 due to a decrease of 69% in Project-related expenses and an increase of 24% in general and administrative expenses primarily related to personnel costs. Expenses increased in fiscal year 2020 by \$234,847 due to an increase of 42% in Project-related expenses and 4% in general and administrative expenses primarily related to the increase in personnel costs.

Net position increased in fiscal year 2021 by \$46,272 and decreased in fiscal year 2020 by \$16,831 as a result of the revenue and expenses noted above.

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, 2021 and 2020
(unaudited)

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, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Change 2021 vs. 2020</u>	<u>Change 2020 vs. 2019</u>
Revenues:					
Hudson Yards Infrastructure Corporation payments	\$ 872,406	\$ 647,118	\$ 710,150	\$ 225,288	\$ (63,032)
Interest and miscellaneous revenue	27	322	722	(295)	(400)
Total revenues	<u>872,433</u>	<u>647,440</u>	<u>710,872</u>	<u>224,993</u>	<u>(63,432)</u>
Expenditures:					
General and administrative	826,161	664,271	639,358	161,890	24,913
Total expenditures	<u>826,161</u>	<u>664,271</u>	<u>639,358</u>	<u>161,890</u>	<u>24,913</u>
Net change in fund balance	46,272	(16,831)	71,514	63,103	(88,345)
Fund balance (deficit) - Beginning of year	(14,978)	1,853	(69,661)	(16,831)	71,514
Fund balance (deficit) - End of year	<u>\$ 31,294</u>	<u>\$ (14,978)</u>	<u>\$ 1,853</u>	<u>\$ 46,272</u>	<u>\$ (16,831)</u>

The total GF increase in revenue in fiscal year 2021 of \$224,993 and decrease in fiscal year 2020 of \$63,432 was due primarily to the changes in personnel costs and consultant fees for Project oversight.

The total GF expenditures increased in fiscal year 2021 and 2020 by \$161,890 and \$24,913, primarily due to changes in personnel costs and consultant fees for Project oversight.

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

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, 2021 and 2020
(unaudited)

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, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Change 2021 vs. 2020</u>	<u>Change 2020 vs. 2019</u>
Revenues:					
Hudson Yards Infrastructure Corporation payments	\$ 223,000	\$ 708,134	\$ 476,200	\$ (485,134)	\$ 231,934
Eastern Rail Yards	-	-	22,000	-	(22,000)
Total revenues	<u>223,000</u>	<u>708,134</u>	<u>498,200</u>	<u>(485,134)</u>	<u>209,934</u>
Expenditures:					
Project	223,000	708,134	498,200	(485,134)	209,934
Total expenditures	<u>223,000</u>	<u>708,134</u>	<u>498,200</u>	<u>(485,134)</u>	<u>209,934</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 2021 by \$485,134 as a result of a decrease of 69% in condemnation counsel expenditures.

The total CPF revenue 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 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 2021 and 2020 indicate that capital projects funds received have been expended.

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, 2021 and 2020
(unaudited)

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

The following summarizes the GF assets, liabilities and fund balances as of June 30, 2021, 2020 and 2019:

	2021	2020	2019	Change 2021 vs. 2020	Change 2020 vs. 2019
Assets:					
Unrestricted cash and cash equivalents	\$ 131,357	\$ 71,188	\$ 21,646	\$ 60,169	\$ 49,542
Due from capital projects fund	-	-	55,000	-	(55,000)
Other receivables	-	-	357	-	(357)
Prepaid expenses	1,281	506	338	775	168
Total assets	\$ 132,638	\$ 71,694	\$ 77,341	\$ 60,944	\$ (5,647)
Liabilities:					
Accounts payable and accrued operating expenses	\$ 101,344	\$ 86,672	\$ 75,488	\$ 14,672	\$ 11,184
Total liabilities	101,344	86,672	75,488	14,672	11,184
Fund balance (deficit):					
Nonspendable prepaid expenses	1,281	506	338	775	168
Unassigned	30,013	(15,484)	1,515	45,497	(16,999)
Total fund balance (deficit)	31,294	(14,978)	1,853	46,272	(16,831)
Total liabilities and fund balance (deficit)	\$ 132,638	\$ 71,694	\$ 77,341	\$ 60,944	\$ (5,647)

The total GF assets increased in fiscal year 2021 by \$60,944 and decreased in fiscal year 2020 by \$5,647 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 in fiscal year 2021 and 2020 by \$14,672 and \$11,184, respectively, due to changes in operating liabilities and expenditures during the fiscal years.

The fund balance increased in fiscal year 2021 by \$46,272 and decreased in fiscal year 2020 by \$16,831 as a result of changes to the assets and liabilities noted above.

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, 2021 and 2020
(unaudited)

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

The following summarizes the CPF assets, liabilities and fund balances as of June 30, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Change 2021 vs. 2020</u>	<u>Change 2020 vs. 2019</u>
Assets:					
Receivable from Hudson Yards Infrastructure Corporation	\$ 54,398	\$ 122,472	\$ 124,550	\$ (68,074)	\$ (2,078)
Total assets	<u>\$ 54,398</u>	<u>\$ 122,472</u>	<u>\$ 124,550</u>	<u>\$ (68,074)</u>	<u>\$ (2,078)</u>
Liabilities:					
Accounts payable and accrued project expenses	\$ 54,398	\$ 122,472	\$ 69,550	\$ (68,074)	\$ 52,922
Due to general fund	-	-	55,000	-	(55,000)
Total liabilities	<u>54,398</u>	<u>122,472</u>	<u>124,550</u>	<u>(68,074)</u>	<u>(2,078)</u>
Fund balance:					
Restricted	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 54,398</u>	<u>\$ 122,472</u>	<u>\$ 124,550</u>	<u>\$ (68,074)</u>	<u>\$ (2,078)</u>

The total CPF assets and liabilities decreased in fiscal year 2021 and 2020 by \$68,074 and \$2,078, respectively, 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 2021 and 2020. HYDC only requested and received Project-related funds for actual Project-related expenditures incurred, thereby having no fund balances at June 30, 2021 and 2020.

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, 2021 and 2020

	2021	2020
Assets		
Unrestricted cash and cash equivalents	\$ 131,357	\$ 71,188
Receivable from Hudson Yards Infrastructure Corporation	54,398	122,472
Prepaid expenses	1,281	506
	<u>187,036</u>	<u>194,166</u>
Total assets	<u>\$ 187,036</u>	<u>\$ 194,166</u>
Liabilities		
Accounts payable - operating	\$ 58,045	\$ 51,281
Accounts payable - project	54,398	122,472
Accrued operating expenses	43,299	35,391
	<u>155,742</u>	<u>209,144</u>
Total liabilities	<u>155,742</u>	<u>209,144</u>
Net position (deficit)		
Unrestricted	31,294	(14,978)
	<u>31,294</u>	<u>(14,978)</u>
Total net position (deficit)	<u>31,294</u>	<u>(14,978)</u>
Total liabilities and net position (deficit)	<u>\$ 187,036</u>	<u>\$ 194,166</u>

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

Statements of Activities
For the Years Ended June 30, 2021 and 2020

	2021	2020
Revenues		
Hudson Yards Infrastructure Corporation payments	\$ 1,095,406	\$ 1,355,252
Interest and miscellaneous revenue	27	322
Total revenues	1,095,433	1,355,574
Expenses		
General and administrative	826,161	664,271
Project	223,000	708,134
Total expenses	1,049,161	1,372,405
Change in net position	46,272	(16,831)
Net position (deficit) - Beginning of year	(14,978)	1,853
Net position (deficit) - End of year	\$ 31,294	\$ (14,978)

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

Governmental Funds Balance Sheet
As of June 30, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Unrestricted cash and cash equivalents	\$ 131,357	\$ -	\$ 131,357
Receivable from Hudson Yards Infrastructure Corporation	-	54,398	54,398
Prepaid expenses	1,281	-	1,281
Total assets	\$ 132,638	\$ 54,398	\$ 187,036
Liabilities			
Accounts payable	\$ 58,045	\$ 54,398	\$ 112,443
Accrued operating expenses	43,299	-	43,299
Total liabilities	101,344	54,398	155,742
Fund balance			
Nonspendable prepaid expenses	1,281	-	1,281
Unassigned	30,013	-	30,013
Total fund balance	31,294	-	31,294
Total liabilities and fund balance	\$ 132,638	\$ 54,398	\$ 187,036

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

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

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, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Hudson Yards Infrastructure Corporation payments	\$ 872,406	\$ 223,000	\$ 1,095,406
Interest and miscellaneous revenue	27	-	27
Total revenues	<u>872,433</u>	<u>223,000</u>	<u>1,095,433</u>
Expenditures			
General and administrative	826,161	-	826,161
Project	-	223,000	223,000
Total expenditures	<u>826,161</u>	<u>223,000</u>	<u>1,049,161</u>
Net change in fund balance	46,272	-	46,272
Fund balance (deficit) - Beginning of year	<u>(14,978)</u>	<u>-</u>	<u>(14,978)</u>
Fund balance - End of year	<u>\$ 31,294</u>	<u>\$ -</u>	<u>\$ 31,294</u>

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>
Revenues			
Hudson Yards Infrastructure Corporation payments	\$ 647,118	\$ 708,134	\$ 1,355,252
Interest and miscellaneous revenue	322	-	322
Total revenues	<u>647,440</u>	<u>708,134</u>	<u>1,355,574</u>
Expenditures			
General and administrative	664,271	-	664,271
Project	-	708,134	708,134
Total expenditures	<u>664,271</u>	<u>708,134</u>	<u>1,372,405</u>
Net change in fund balance (deficit)	(16,831)	-	(16,831)
Fund balance - Beginning of year	<u>1,853</u>	<u>-</u>	<u>1,853</u>
Fund balance (deficit) - End of year	<u>\$ (14,978)</u>	<u>\$ -</u>	<u>\$ (14,978)</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, 2021 and 2020

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 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

• ***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, 2021 and 2020, 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.

• ***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, 2021 and 2020

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.

- ***Cash Equivalents***

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

- ***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.

- ***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.

- ***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.

- ***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, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 June 15, 2021. 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 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, 2021. 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, 2022. All other requirements for GASB 93 are effective for reporting periods beginning after June 15, 2021. HYDC has not completed the process of evaluating GASB 93 but does not expect it to have an impact on HYDC’s financial statements.
- 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.

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, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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. The requirements of GASB 97 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. 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, 2021 and 2020, HYDC’s cash consisted of bank deposits in the amount of \$131,357 and \$71,188, 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, 2021 and 2020, JPMorgan Chase Bank, N.A. maintained no collateral for HYDC’s active account.

**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, 2021 and 2020**

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 have a minimum of 1,000 hours of service if non-exempt, (employees entitled to overtime pay), or who 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.

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

For the years ended June 30, 2021 and 2020, HYDC contributed \$51,499 and \$39,519, 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, 2021 and 2020, 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, 2021 and 2020, condemnation counsel expenses paid to CLM amounted to \$223,000 and \$708,134, 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, 2021 and 2020

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 the 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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