



Hudson Yards Development Corporation
A Component Unit of The City of New York
Financial Statements
(Together with Independent Auditors' Report)
June 30, 2022 and 2021



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

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

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of
Hudson Yards Development Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and governmental funds of Hudson Yards Development Corporation ("HYDC"), a component unit of The City of New York, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise HYDC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and governmental funds of HYDC as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HYDC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on 2021 Financial Statements

The financial statements of HYDC as of for the year ended June 30, 2021, were audited by another auditor whose report dated August 30, 2021, expressed unmodified opinions on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HYDC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HYDC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HYDC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mayer Hoffman McCann CPAs

New York, NY
September 22, 2022

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, 2022 and 2021
(unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial activities of Hudson Yards Development Corporation ("HYDC") as of and for the years ended June 30, 2022 and 2021. 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, 2022 and 2021, 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, 2022 and 2021, 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 currently consists of: (1) the design and construction of Hudson Park and Boulevard from West 36th Street to West 39th Street between 10th and 11th Avenues (also known as "Bella Abzug Park" or "Phase II"); and (2) property acquisition for Phase II. The Phase II includes the construction of playgrounds and boulevards over the Amtrak Empire Line railroad. It should be noted that the below-grade Amtrak Empire Line right-of-way runs beneath most of this section of Bella Abzug Park and Hudson Boulevard. This area shall be built to the finished grade level on a series of platforms & abutments over the Amtrak right-of-way. This area shall be integrated into the existing cross-town City Street network and the existing bridges over the Amtrak right-of-way.

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, 2022 and 2021
(unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following summarizes HYDC's assets, liabilities and net position (deficit) as of June 30, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Change 2022 vs. 2021</u>	<u>Change 2021 vs. 2020</u>
Assets:					
Unrestricted cash and cash equivalents	\$ 137,115	\$ 131,357	\$ 71,188	\$ 5,758	\$ 60,169
Grant due from Hudson Yards Infrastructure Corp.	418,291	54,398	122,472	363,893	(68,074)
Other receivables	1,446	-	-	1,446	-
Prepaid expenses	795	1,281	506	(486)	775
Total assets	\$ 557,647	\$ 187,036	\$ 194,166	\$ 370,611	\$ (7,130)
Liabilities:					
Accounts payable - operating	\$ 10,437	\$ 58,045	\$ 51,281	\$ (47,608)	\$ 6,764
Accounts payable - project	418,291	54,398	122,472	363,893	(68,074)
Accrued operating expenses	67,252	43,299	35,391	23,953	7,908
Total liabilities	495,980	155,742	209,144	340,238	(53,402)
Net position (deficit):					
Unrestricted	61,667	31,294	(14,978)	30,373	46,272
Total net position (deficit)	\$ 61,667	\$ 31,294	\$ (14,978)	\$ 30,373	\$ 46,272

The increase in assets reported in fiscal year 2022 and decrease in fiscal year 2021 reflected the changes in revenue recognized for Hudson Park, Hudson Boulevard, and Streetscape (also known as "Bella Abzug Park" or "Phase II"), completion of Phase I, and changes in unrestricted cash and cash equivalents and other assets.

The grant due from HYIC in fiscal year 2022 consisted of receivables required to pay Project-related liabilities for Phase II comprised of condemnation counsel and development design services that were incurred, but not yet paid by the end of the fiscal year.

The grant due from HYIC in fiscal year 2021 consisted of receivables required to pay Project-related liabilities for condemnation counsel services that were incurred, but not yet paid by the end of the fiscal year.

The increase in liabilities reported in fiscal year 2022 and decrease in fiscal year 2021 reflect changes and timing in payment of Project-related Phase I and Phase II expenses offset by general operating expenses primarily related to personnel.

The net position increase in fiscal year 2022 of \$30,373 and in fiscal year 2021 of \$46,272 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, 2022, 2021 and 2020:

	2022	2021	2020	Change 2022 vs. 2021	Change 2021 vs. 2020
Revenues:					
Payments received from Hudson Yards Infrastructure Corp.	\$ 930,240	\$ 872,406	\$ 647,118	\$ 57,834	\$ 225,288
Grant from Hudson Yards Infrastructure Corp.	2,069,713	223,000	708,134	1,846,713	(485,134)
Interest revenue	27	27	322	-	(295)
Total revenues	2,999,980	1,095,433	1,355,574	1,904,547	(260,141)
Expenses:					
General and administrative	899,894	826,161	664,271	73,733	161,890
Project	2,069,713	223,000	708,134	1,846,713	(485,134)
Total expenses	2,969,607	1,049,161	1,372,405	1,920,446	(323,244)
Change in net position	30,373	46,272	(16,831)	(15,899)	63,103
Net position (deficit) - Beginning of year	31,294	(14,978)	1,853	46,272	(16,831)
Net position (deficit) - End of year	\$ 61,667	\$ 31,294	\$ (14,978)	\$ 30,373	\$ 46,272

The increase in payments received from HYIC in fiscal year 2022 of \$57,834 and fiscal year 2021 of \$225,288 were primarily due to an increase in revenue required to pay personnel-related and Project oversight expenses.

Grant from HYIC increased in fiscal year 2022 by \$1,846,713 and decreased in fiscal year 2021 by \$485,134 as expenses for condemnation counsel and development design increased for Phase II and decreased as Phase I of the Project came to completion.

Expenses increased in fiscal year 2022 by \$1,920,446 due to an increase of 828% in Project-related expenses and an increase of 9% in general and administrative expenses primarily related to personnel.

Expenses decreased in fiscal year 2021 by \$323,244 due to a decrease of 69% in Project-related expenses as Phase I of the Project came to completion offset by an increase of 24% in general and administrative expenses primarily related to personnel and Project oversight.

Net position increased in fiscal year 2022 by \$30,373 and in fiscal year 2021 by \$46,272 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, 2022 and 2021
(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, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Change 2022 vs. 2021</u>	<u>Change 2021 vs. 2020</u>
Revenues:					
Payments received from Hudson Yards Infrastructure Corp.	\$ 930,240	\$ 872,406	\$ 647,118	\$ 57,834	\$ 225,288
Interest revenue	27	27	322	-	(295)
Total revenues	<u>930,267</u>	<u>872,433</u>	<u>647,440</u>	<u>57,834</u>	<u>224,993</u>
Expenditures:					
General and administrative	899,894	826,161	664,271	73,733	161,890
Total expenditures	<u>899,894</u>	<u>826,161</u>	<u>664,271</u>	<u>73,733</u>	<u>161,890</u>
Net change in fund balance	30,373	46,272	(16,831)	(15,899)	63,103
Fund balance (deficit) - Beginning of year	<u>31,294</u>	<u>(14,978)</u>	<u>1,853</u>	<u>46,272</u>	<u>(16,831)</u>
Fundbalance (deficit) - End of year	<u>\$ 61,667</u>	<u>\$ 31,294</u>	<u>\$ (14,978)</u>	<u>\$ 30,373</u>	<u>\$ 46,272</u>

The increase in GF payments received from HYIC in fiscal year 2022 of \$57,834 and fiscal year 2021 of \$225,288 were primarily due to an increase in revenue required to pay personnel-related and Project oversight expenditures.

The increase in GF expenditures in fiscal year 2022 of \$73,733 and fiscal year 2021 of \$161,890 was primarily due to an increase of 9% and 24%, respectively, in personnel-related and Project oversight 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, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Change 2022 vs. 2021</u>	<u>Change 2021 vs. 2020</u>
Revenues:					
Grant from Hudson Yards Infrastructure Corp.	\$ 2,069,713	\$ 223,000	\$ 708,134	\$ 1,846,713	\$ (485,134)
Total revenues	<u>2,069,713</u>	<u>223,000</u>	<u>708,134</u>	<u>1,846,713</u>	<u>(485,134)</u>
Expenditures:					
Project	2,069,713	223,000	708,134	1,846,713	(485,134)
Total expenditures	<u>2,069,713</u>	<u>223,000</u>	<u>708,134</u>	<u>1,846,713</u>	<u>(485,134)</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 increased in fiscal year 2022 by \$1,846,713 as a result of an increase of 828% in condemnation counsel and development design expenditures incurred during Phase II of the Project.

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 as Phase I of the Project came to completion.

The zero fund balance in the CPF at the end of fiscal years 2022 and 2021 indicates that capital projects funds received have been expended.

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Management's Discussion and Analysis
As of and for the Years Ended June 30, 2022 and 2021
(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, 2022, 2021 and 2020:

	2022	2021	2020	Change 2022 vs. 2021	Change 2021 vs. 2020
Assets:					
Unrestricted cash and cash equivalents	\$ 137,115	\$ 131,357	\$ 71,188	\$ 5,758	\$ 60,169
Other receivables	1,446	-	-	1,446	-
Prepaid expenses	795	1,281	506	(486)	775
Total assets	\$ 139,356	\$ 132,638	\$ 71,694	\$ 6,718	\$ 60,944
Liabilities:					
Accounts payable and accrued operating expenses	\$ 77,689	\$ 101,344	\$ 86,672	\$ (23,655)	\$ 14,672
Total liabilities	77,689	101,344	86,672	(23,655)	14,672
Fund balance (deficit):					
Nonspendable prepaid expenses and other assets	795	1,281	506	(486)	775
Unassigned	60,872	30,013	(15,484)	30,859	45,497
Total fund balance (deficit)	61,667	31,294	(14,978)	30,373	46,272
Total liabilities and fund balance	\$ 139,356	\$ 132,638	\$ 71,694	\$ 6,718	\$ 60,944

The total GF assets increased in fiscal year 2022 and 2021 by \$6,718 and \$60,944, respectively, due to an increase in unrestricted cash and cash equivalents and other assets caused by changes and timing in payment of general administrative expenditures.

The total GF liabilities decreased in fiscal year 2022 by \$23,655 and increased in fiscal year 2021 by \$14,672 due to the timing in payment of general operating liabilities primarily related to personnel and Project oversight.

The fund balance increased in fiscal year 2022 by \$30,373 and in fiscal year 2021 by \$46,272 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, 2022 and 2021
(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, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Change 2022 vs. 2021</u>	<u>Change 2021 vs. 2020</u>
Assets:					
Grant due from Hudson Yards Infrastructure Corp.	\$ 418,291	\$ 54,398	\$ 122,472	\$ 363,893	\$ (68,074)
Total assets	<u>\$ 418,291</u>	<u>\$ 54,398</u>	<u>\$ 122,472</u>	<u>\$ 363,893</u>	<u>\$ (68,074)</u>
Liabilities:					
Accounts payable	\$ 418,291	\$ 54,398	\$ 122,472	\$ 363,893	\$ (68,074)
Total liabilities	<u>418,291</u>	<u>54,398</u>	<u>122,472</u>	<u>363,893</u>	<u>(68,074)</u>
Fund balance:					
Restricted	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 418,291</u>	<u>\$ 54,398</u>	<u>\$ 122,472</u>	<u>\$ 363,893</u>	<u>\$ (68,074)</u>

The total CPF assets and liabilities increased in fiscal year 2022 by \$363,893 due to an increase and the timing in payment of condemnation counsel and development design expenditures related to Phase II of the Project.

The total CPF assets and liabilities decreased in fiscal year 2021 by \$68,074 due to a decrease and the timing in payment of condemnation counsel expenditures as Phase I of the Project came to completion.

The CPF had no restricted funds at the end of fiscal years 2022 and 2021. HYDC only requested and received Project-related funds for actual Project-related expenditures incurred, thereby having no fund balances at June 30, 2022 and 2021.

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
As of June 30, 2022 and 2021

	2022	2021
Assets		
Unrestricted cash and cash equivalents	\$ 137,115	\$ 131,357
Grant due from Hudson Yards Infrastructure Corp.	418,291	54,398
Other receivables	1,446	-
Prepaid expenses	795	1,281
	Total assets	Total assets
	\$ 557,647	\$ 187,036
Liabilities		
Accounts payable - operating	\$ 10,437	\$ 58,045
Accounts payable - project	418,291	54,398
Accrued operating expenses	67,252	43,299
	Total liabilities	Total liabilities
	495,980	155,742
Net position		
Unrestricted	61,667	31,294
	Total net position	Total net position
	61,667	31,294
Total liabilities and net position	\$ 557,647	\$ 187,036

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, 2022 and 2021

	2022	2021
Revenues		
Payments received from Hudson Yards Infrastructure Corp.	\$ 930,240	\$ 872,406
Grant from Hudson Yards Infrastructure Corp.	2,069,713	223,000
Interest revenue	27	27
Total revenues	2,999,980	1,095,433
Expenses		
General and administrative	899,894	826,161
Project	2,069,713	223,000
Total expenses	2,969,607	1,049,161
Change in net position	30,373	46,272
Net position (deficit) - Beginning of year	31,294	(14,978)
Net position - End of year	\$ 61,667	\$ 31,294

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

Governmental Funds Balance Sheet
As of June 30, 2022

	<u>General</u> <u>Fund</u>	<u>Capital Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets			
Unrestricted cash and cash equivalents	\$ 137,115	\$ -	\$ 137,115
Grant due from Hudson Yards Infrastructure Corp.	-	418,291	418,291
Other receivables	1,446	-	1,446
Prepaid expenses	795	-	795
Total assets	<u>\$ 139,356</u>	<u>\$ 418,291</u>	<u>\$ 557,647</u>
Liabilities			
Accounts payable	\$ 10,437	\$ 418,291	\$ 428,728
Accrued operating expenses	67,252	-	67,252
Total liabilities	<u>77,689</u>	<u>418,291</u>	<u>495,980</u>
Fund balance			
Nonspendable prepaid expenses	795	-	795
Unassigned	60,872	-	60,872
Total fund balance	<u>61,667</u>	<u>-</u>	<u>61,667</u>
Total liabilities and fund balance	<u>\$ 139,356</u>	<u>\$ 418,291</u>	<u>\$ 557,647</u>

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, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Unrestricted cash and cash equivalents	\$ 131,357	\$ -	\$ 131,357
Grant due from Hudson Yards Infrastructure Corp.	-	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 Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022**

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
			<u>Funds</u>
Revenues			
Payments received from Hudson Yards Infrastructure Corp.	\$ 930,240	\$ -	\$ 930,240
Grant from Hudson Yards Infrastructure Corp.	-	2,069,713	2,069,713
Interest revenue	27	-	27
Total revenues	<u>930,267</u>	<u>2,069,713</u>	<u>2,999,980</u>
Expenditures			
General and administrative	899,894	-	899,894
Project	-	2,069,713	2,069,713
Total expenditures	<u>899,894</u>	<u>2,069,713</u>	<u>2,969,607</u>
Net change in fund balance	30,373	-	30,373
Fund balance - Beginning of year	<u>31,294</u>	<u>-</u>	<u>31,294</u>
Fund balance - End of year	<u>\$ 61,667</u>	<u>\$ -</u>	<u>\$ 61,667</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, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
			<u>Funds</u>
Revenues			
Payments received from Hudson Yards Infrastructure Corp.	\$ 872,406	\$ -	\$ 872,406
Grant from Hudson Yards Infrastructure Corp.	-	223,000	223,000
Interest 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>(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)

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

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

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, 2022 and 2021, 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, 2022 and 2021

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, 2022 and 2021

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. The adoption of GASB 87 did not 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. The adoption of GASB 92 did not have an impact on HYDC’s financial statements as the practice issues addressed in GASB 92 are not applicable to HYDC.
- 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 was 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. Subsequently, LIBOR’s administrator, the ICE Benchmark Administration (IBA), announced that the most widely used United States Dollar (USD) LIBOR tenors would continue to be published until June 30, 2023. 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, 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. The adoption of GASB 93 did not have an impact on HYDC’s financial statements, as it does not enter into hedge derivative instruments.
- 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
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Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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. The adoption of GASB 97 did not have an impact on HYDC’s financial statements, as HYDC does not have such plans.
- In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*, (“GASB 98”). GASB 98 replaces the term comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments with the term annual comprehensive financial report and its acronym ACFR. The requirements of GASB 98 are effective for fiscal years beginning after December 15, 2021, although early application was encouraged. The adoption of GASB 98 did not have an impact on HYDC’s financial statements as it does not issue an Annual Comprehensive Financial Report.
- In April 2022, GASB issued Statement No. 99, *Omnibus 2022*, (“GASB 99”). GASB 99 enhances the comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing 1) several practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. The requirements for GASB 99 are effective for reporting periods ranging from immediate to fiscal years beginning after June 15, 2023. The incremental adoption of GASB 99 from now to fiscal year 2024 will not have an impact on HYDC’s financial statements as the practice issues and the accounting and financial reporting for financial guarantees addressed in GASB 99 are not applicable to HYDC.
- In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections An Amendment to GASB Statement No. 62*, (“GASB 100”). GASB 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements for GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Early application is encouraged. HYDC has not completed the process of evaluating GASB 100 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
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- In June 2022, GASB issued Statement No. 101, *Compensated Absences*, (“GASB 101”). GASB 101 updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements for GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Early application is encouraged. HYDC has not completed the process of evaluating GASB 101 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, 2022 and 2021, HYDC’s cash consisted of bank deposits in the amount of \$137,115 and \$131,357, 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, 2022 and 2021, JPMorgan Chase Bank, N.A. maintained no collateral for HYDC’s active account.

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.

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%

For the years ended June 30, 2022 and 2021, HYDC contributed \$70,566 and \$51,499, respectively, to the Pension Plan.

HYDC has no other postemployment benefits.

HUDSON YARDS DEVELOPMENT CORPORATION
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Notes to Financial Statements
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NOTE 4 – DEFINED CONTRIBUTION PLAN (Continued)

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, 2022 and 2021, plan assets and liabilities are not reflected in the accompanying financial statements.

NOTE 5 – RETROACTIVE ASSIGNMENT TO HYDC OF RETAINER AGREEMENT

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. At that time, 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 the \$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, 2022 and 2021, condemnation counsel expenses paid to CLM amounted to \$1,240,451 and \$223,000, respectively and such amounts are included in Project expenses in the accompanying financial statements.

NOTE 6 – CONTRACT WITH WSP USA, INC.

In October 2021, HYDC entered into a five-year contract with WSP USA, Inc. (“WSP”) to provide development design services (“Services”) for Phase II of Hudson Park, Hudson Boulevard, and Streetscape (also known as Bella Abzug park). The maximum contract price was \$12,000,000. For the years ended June 30, 2022 and 2021, development design expenses paid to WSP amounted to \$829,262 and \$0, respectively and such amounts are included in Project expenses in the accompanying financial statements.

NOTE 7 – 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.

NOTE 8 – RECLASSIFICATIONS

Certain line items in the June 30, 2021 financial statements were reclassified to conform to the June 30, 2022 presentation.