New York City Industrial Development Agency

(a component unit of the City of New York)

Financial Statements and Supplemental Information

Years Ended June 30, 2018 and 2017
With Report of Independent Auditors

NYCIDA

New York City Industrial Development Agency

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(A Component Unit of the City of New York)

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Contents

I. Financial Section

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Report of Independent Auditors

The Management and the Board of Directors
New York City Industrial Development Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the New York City Industrial Development Agency (the "Agency"), a component unit of The City of New York, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The combining statement of net position is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of net position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining statement of net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Building a better working world

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 30, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Ernst & Young LLP

September 30, 2018

This section of the New York City Industrial Development Agency ("IDA" or the "Agency") annual financial report presents our discussion and analysis of financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

2018 Financial Highlights

- Current assets increased $22.5 million (or 50%)
- Current liabilities increased $4.8 million (or 3%)
- Operating revenues increased $2.1 million (or 86%)
- Operating expenses decreased $0.06 million (or 2%)
- Operating income increased $2.2 million (or > 100%)
- Non-operating expenses decreased $4.0 million (or 59%), but still outpaced operating income resulting in the unrestricted net position decreasing $1.6 million (or 4%)

Overview of the Financial Statements

This annual financial report consists of three parts: Management's Discussion and Analysis (this section), basic financial statements, and supplemental information. IDA is considered a component unit of the City of New York (the "City") for financial reporting purposes, and is a public benefit corporation established by the laws of the State of New York (the "State"). IDA was established in 1974 to actively promote, retain, attract, encourage, and develop an economically sound commerce and industry base to prevent unemployment and economic deterioration in the City.

IDA is a self-supporting entity and follows enterprise fund reporting. Enterprise fund statements offer short-term and long-term financial information about the Agency's activities. The Agency operates in a manner similar to a private business.

Financial Analysis of the Agency:

Net Position – The following table summarizes IDA's financial position at June 30, 2018, 2017, and 2016 and the percentage changes between June 30, 2018, 2017 and 2016 *($ in thousands)*:

				% Change	
	2018	**2017**	**2016**	**2018–2017**	**2017–2016**
Current assets	**$ 67,758**	$ 45,267	$ 45,781	**50%**	**(1)%**
Non-current assets	**1,780,700**	1,830,224	1,857,201	**(3)**	**(1)**
Total assets	**1,848,458**	1,875,491	1,902,982	**(1)**	**(1)**
Deferred outflows of resources	**7,392**	12,404	18,517	**(40)**	**(33)**
Current liabilities	**176,492**	171,684	161,691	**3**	**6**
Non-current liabilities	**1,642,250**	1,677,480	1,713,216	**(2)**	**(2)**
Total liabilities	**1,818,742**	1,849,164	1,874,907	**(2)**	**(1)**
Total net position	**$ 37,108**	$ 38,731	$ 46,592	**(4)%**	**(17)%**

Fiscal Year 2018 Activities:

Current assets increased by $22.5 million or 50% as a result of the shift in our investment strategy from long-term to short-term investments during fiscal year 2018. In addition, the secured interest on assets was also reclassified to a current asset during fiscal year 2018 from a noncurrent asset classification during fiscal year 2017.

Deferred outflows of resources decreased by $5.0 million or 40% due to the favorable market conditions relating to the interest rate swap instruments of the Series 2006 CPI Bonds (Yankee Stadium Project). The CPI Bonds are special limited obligations of the Agency.

Total current liabilities increased by $4.8 million or 3% mainly due to an increase of the accreted interest payable of $6.4 million, relating to the PILOT Revenue Bonds Series 2009A (Yankee Stadium Project). This increase was counteracted by a decrease in $1.6 million of various current liabilities.

Total non-current liabilities decreased by $35.2 million or 2% mainly due to the principal payments made to the bondholders of the stadia bonds.

<u>Fiscal Year 2017 Activities:</u>

Current assets decreased by $0.5 million or 1% due to the return of funds to companies that were held pending compliance with the Agency agreements during fiscal year 2017.

Deferred outflows of resources decreased by $6.1 million or 33% due to the favorable market conditions relating to the interest rate swap instruments of the Series 2006 CPI Bonds (Yankee Stadium Project). The CPI Bonds are special limited obligations of the Agency.

Total current liabilities increased by $10.0 million or 6% mainly due to an increase of the accreted interest payable of $7.6 million, relating to the PILOT Revenue Bonds Series 2009A (Yankee Stadium Project).

Total non-current liabilities decreased by $35.7 million or 2% mainly due to the principal payments made to the bondholders of the Stadia Bonds.

Operating Activities

The Agency assists industrial and commercial participants through a "straight lease" transactional structure which provides tax benefits to participants to incentivize the acquisition and capital improvement of their facilities. The Agency may also assist participants in obtaining long-term, low-cost financing for capital assets through a financing transaction, which includes the issuance of double and triple tax-exempt bonds. Whether the Agency enters into a straight lease or issues tax-exempt bonds, the Agency may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes ("PILOTs") that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment. During the years ended June 30, 2018 and 2017, IDA did not issue any tax-exempt bonds.

During fiscal years 2007 and 2009, in connection with the construction and financing of the new Yankee Stadium and Citi field ("Stadia Projects"), the Agency issued Tax-Exempt PILOT Revenue Bonds, Taxable Rental Revenue Bonds, Taxable Installment Purchase Bonds and Taxable Lease Revenue Bonds. The Taxable Bonds are special limited obligations of the Agency and are payable solely from revenues derived from the Lease Agreement with Yankee Stadium, LLC and the Lease Agreement and Installment Sales Agreement with Queens Ballpark Company, LLC.

Since the Tax-Exempt PILOT Bonds were issued to finance the construction of the stadia and the Agency is the legal owner of the stadia, the Tax-Exempt PILOT Revenue Bonds have been recorded in the Agency's books and records. The PILOT Bonds are special limited obligations of the Agency payable solely from PILOT Revenues derived from PILOT payments made by Yankee Stadium, LLC and Queens Ballpark Company, LLC and as such have no financial impact on the Agency's overall financial position or results of operations. Additional information about the Agency's debt is presented in Note 5 to the financial statements.

The Agency charges various program fees that may include application fees, financing fees, legal fees and compliance fees. In certain circumstances, the Agency may also charge servicing fees on any recapture of benefits from companies defaulting on their compliance requirements for IDA benefits.

The following table summarizes IDA's changes in net position for fiscal years 2018, 2017, and 2016 and the percentage changes between June 30, 2018, 2017, and 2016 *($ in thousands)*:

				% Change	
	2018	**2017**	**2016**	**2018–2017**	**2017–2016**
Operating revenues:					
Fee income	**$ 4,016**	$ 1,956	$ 3,585	**>100%**	**(45)%**
Other income	**619**	530	230	**17**	**130**
Total operating revenues	**4,635**	2,486	3,815	**86**	**(35)**
Operating expenses:					
Management fees	**3,300**	3,300	4,052	**–**	**(19)**
Other expenses	**156**	216	135	**(28)**	**60**
Total operating expenses	**3,456**	3,516	4,187	**(2)**	**(16)**
Operating income (loss)	**1,179**	(1,030)	(372)	**214**	**177**
Non-operating revenues (expenses):					
Earnings on investments	**370**	200	230	**85**	**(13)**
Special project costs	**(3,172)**	(7,031)	(2,980)	**(55)**	**136**
PILOT lease income	**92,688**	96,431	94,067	**(4)**	**3**
PILOT investment income	**3,142**	2,892	2,963	**9**	**(2)**
Bond interest expense	**(95,830)**	(99,323)	(97,030)	**(4)**	**2**
Total non-operating revenues (expenses)	**(2,802)**	(6,831)	(2,750)	**(59)**	**148**
Change in net position	**(1,623)**	(7,861)	(3,122)	**79**	**(152)**
Beginning net position	**38,731**	46,592	49,714	**(17)**	**(6)**
Ending net position	**$ 37,108**	$ 38,731	$ 46,592	**(4)%**	**(17)%**

Fiscal Year 2018 Activities:

The Agency's net position decreased by $1.6 million or 4% largely due to special project costs of $3.2 million which outpaced operating income of $1.2 million during 2018.

Fee income increased by $2.1 million or 105%. This is primarily a result of the increase in project finance fees of $2.2 million due to the increased number of industrial incentive closings during fiscal year 2018.

Other operating income increased by $0.09 million or 17%. This is a result of a general increase in income from ten benefit recapture events during fiscal year 2018.

Total operating expenses decreased by $0.06 million or 2% due to a decrease in consulting and public hearing expenses during fiscal 2018.

Operating income increased by $2.2 million or 214% during fiscal year 2018 due to the increase in the number of transactional closings resulting in an increase in the collection of project finance fees.

Special project costs decreased overall by $3.9 million or 55% during fiscal year 2018, largely as a result of a $2.7 million decrease in costs related to the FutureWorks NYC project.

Fiscal Year 2017 Activities:

Fee income decreased by $1.6 million or 45%. This is primarily a result of the decrease in project finance fees relating to the decreased number of industrial incentive closings during fiscal year 2017.

Other operating income increased by $0.3 million or 130%. This is a result of a general increase in income from benefit recaptures during fiscal year 2017.

Total operating expenses decreased by $0.7 million or 16% due to the decrease in the management fee charged by New York City Economic Development Corp. ("NYCEDC"). This is a result of bond transactions and related administrative costs being undertaken by Build NYC ("BNYC"), a local development corporation organized to assist entities in obtaining tax-exempt and taxable bond financing, rather than by the Agency.

Special project costs increased overall by $4.1 million or 136% during fiscal year 2017, largely as a result of $4.7 million in costs related to the FutureWorks NYC project, which was approved by the Board on September 20, 2016.

The Agency's net position decreased by $7.9 million or 17% due to the general decrease in project finance fees income and an increase in special project costs during 2017.

Contacting the Agency's Financial Management

This financial report is designed to provide our customers, clients and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer, New York City Industrial Development Agency, 110 William Street, New York, NY 10038.

New York City Industrial Development Agency
(A Component Unit of the City of New York)

Statements of Net Position

(in thousands)

	June 30	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents *(Note 3)*	**$ 8,408**	$ 2,092
Investments *(Note 3)*	**17,659**	12,456
Restricted cash *(Note 3)*	**3,054**	3,111
Fees receivable, net of allowance for doubtful accounts of $8 and $24, respectively	**443**	503
Secured interest on assets *(Note 1)*	**10,450**	–
PILOT lease receivable, net – stadia projects *(Note 7)*	**27,744**	27,105
Total current assets	**67,758**	45,267
Non-current assets:		
Investments (*Note 3*)	**3,004**	17,810
Restricted cash and cash equivalents– stadia projects (*Note 3*)	**40,001**	65,809
Restricted investments – stadia projects (*Note 3*)	**85,025**	85,586
Secured interest on assets *(Note 1)*	**–**	10,450
PILOT lease receivable, net – stadia projects (*Note 7*)	**1,652,670**	1,650,569
Total non-current assets	**1,780,700**	1,830,224
Total assets	**1,848,458**	1,875,491
Deferred outflows of resources		
Derivative instrument – interest rate swap *(Note 6)*	**7,392**	12,404
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**884**	1,598
Due to New York City Economic Development Corporation	**1,278**	2,235
Bonds payable – current – stadia projects	**27,744**	27,105
Interest payable on bonds – stadia projects	**142,837**	136,888
Unearned revenues	**695**	747
Other liabilities	**3,054**	3,111
Total current liabilities	**176,492**	171,684
Non-current liabilities:		
Bonds payable, net – stadia projects (*Note 5*)	**1,634,858**	1,665,076
Derivative instrument – interest rate swap *(Note 6)*	**7,392**	12,404
Total non-current liabilities	**1,642,250**	1,677,480
Total liabilities	**1,818,742**	1,849,164
Net position – unrestricted	**$ 37,108**	$ 38,731

See accompanying notes.

New York City Industrial Development Agency
(A Component Unit of the City of New York)

Statements of Revenues, Expenses and Changes in Net Position
(in thousands)

	Year Ended June 30	
	2018	2017
Operating revenues:		
Fee income *(Note 2)*	**$ 4,016**	$ 1,956
Recapture and other related benefits *(Note 2)*	**584**	437
Other income *(Note 2)*	**35**	93
Total operating revenues	**4,635**	2,486
Operating expenses:		
Management fees *(Note 4)*	**3,300**	3,300
Accounting fees	**64**	61
Consulting fees	**–**	40
Public hearing expenses	**29**	46
Marketing/advertising	**4**	6
Other expenses	**59**	63
Total operating expenses	**3,456**	3,516
Operating income (loss)	**1,179**	(1,030)
Non-operating revenues (expenses):		
Investment income	**370**	200
Special project costs *(Note 8)*	**(3,172)**	(7,031)
PILOT lease income – stadia projects	**92,688**	96,431
PILOT investment income – stadia projects	**3,142**	2,892
Bond interest expense – stadia projects	**(95,830)**	(99,323)
Total non-operating revenues (expenses)	**(2,802)**	(6,831)
Change in net position	**(1,623)**	(7,861)
Net position, unrestricted, beginning of year	**38,731**	46,592
Net position, unrestricted, end of year	**$ 37,108**	$ 38,731

See accompanying notes.

New York City Industrial Development Agency
(A Component Unit of the City of New York)

Statements of Cash Flows
(in thousands)

	Year Ended June 30 2018	2017
Operating activities		
Financing and other fees	**$ 4,006**	$ 2,012
Other income	**23**	35
Management fees paid	**(3,300)**	(3,300)
Consulting fees paid	**–**	(40)
Accounting fees paid	**–**	(42)
Public hearing fees paid	**(31)**	(38)
Marketing fees paid	**(2)**	(5)
Miscellaneous expenses paid	**(2)**	(4)
Funds held pending compliance with agreements	**27**	43
Return of funds held pending compliance with agreements	**(85)**	(616)
Recapture benefits and other penalties received	**4,509**	6,462
Payment to NYC and other agencies of recaptured benefits	**(3,895)**	(6,513)
Payment to EDC for contingency fees	**(54)**	(35)
Land sale proceeds	**–**	54
Net cash provided by (used in) operating activities	**1,196**	(1,987)
Investing activities		
Sale of investments	**116,223**	168,038
Purchase of investments	**(106,059)**	(166,369)
Net receipts from investment agreement termination	**311**	96
Investment income	**3,143**	2,892
Interest income	**370**	3
Net cash provided by investing activities	**13,988**	4,660
Capital and related financing activities		
Interest payments on outstanding bonds	**(80,162)**	(80,140)
Bond principal redemption	**(32,970)**	(31,650)
Swap payments received	**4,835**	4,427
Swap payments made	**(7,058)**	(7,594)
Bond fees	**(4,104)**	(6,039)
PILOT revenue	**89,636**	113,151
Net cash used in capital and related financing activities	**(29,823)**	(7,845)
Non-capital financing activities		
Special projects costs paid	**(4,910)**	(4,141)
Net cash used in non-capital financing activities	**(4,910)**	(4,141)
Net decrease in cash and cash equivalents	**(19,549)**	(9,313)
Cash and cash equivalents at beginning of year	**71,012**	80,325
Cash and cash equivalents at end of year	**$ 51,463**	$ 71,012

New York City Industrial Development Agency
(A Component Unit of the City of New York)

Statements of Cash Flows (continued)

(in thousands)

	Year Ended June 30	
	2018	2017
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	**$ 1,179**	$ (1,030)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Provision for bad debt	–	12
Changes in operating assets and liabilities:		
Fees receivable	**60**	(122)
Accounts payable and accrued expenses	**(1)**	27
Due to NYC Economic Development Corp.	**66**	7
Other liabilities	**(57)**	(978)
Unearned revenues	**(52)**	97
Net cash provided by (used in) operating activities	**$ 1,196**	$ (1,987)
Supplemental disclosures of non-cash activities:		
Unrealized gain (loss) on investments	**$ 70**	$ (126)

See accompanying notes.

1. Background and Organization

The New York City Industrial Development Agency ("IDA" or the "Agency"), a component unit of the City of New York (the "City") for financial reporting purposes, is a public benefit corporation of the State of New York (the "State"). IDA was established in 1974 to actively promote, retain, attract, encourage and develop an economically sound commerce and industry base to prevent unemployment and economic deterioration in the City.

The Agency is governed by a Board of Directors, which establishes official policies and reviews and approves applications for financial assistance. Its membership is prescribed by statute and includes a public official and mayoral appointees.

To support the activities of the Board of Directors, the Agency annually enters into a contract with the New York City Economic Development Corp. ("NYCEDC"), a not-for-profit corporation and a component unit of the City, organized to administer economic development programs which foster business expansion in the City. Under the terms set forth in the NYCEDC and IDA Agreement, NYCEDC is to provide IDA with all the professional, administrative and technical assistance it needs to accomplish its objectives.

The Agency assists industrial and commercial organizations through "straight lease" transactional structures. The straight lease provides tax benefits to the participating organizations (the "Beneficiaries") to incentivize the acquisition and capital improvement of their facilities. The Agency may also assist Beneficiaries in obtaining long-term, low-cost financing for capital assets through a financing transaction (the "Financing Transaction"), which includes the issuance of double and triple tax-exempt industrial development bonds ("IDBs"). The Beneficiaries, in addition to satisfying legal requirements under the Agency's governing laws, must meet certain economic development criteria, the most important of which is job creation and/or retention. Whether the Agency enters into a straight lease or issues IDBs, the Agency may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes ("PILOT") that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment. For more detailed information, please refer to the following website: https://www.nycedc.com/nycida/financial-public-documents.

1. Background and Organization (continued)

The IDBs are special non-recourse conduit debt obligations of the Agency which are payable solely from the rents and revenues provided for in the lease ("Financing Lease") to the Beneficiary. The IDBs are secured by a collateral interest in the Financing Lease, the Beneficiary's project property and, in certain circumstances, by guarantees from the Beneficiary's principals or affiliates or other forms of additional security. Both the IDBs and certain provisions of the Financing Lease are administered by an independent bond trustee appointed by the Agency.

When the Agency issues IDBs, the proceeds of the IDB financing are conveyed to an independent bond trustee for disbursement to the Beneficiary. The Beneficiary simultaneously sells and then leases back, the project or other collateral from the Agency for a nominal sum and the Agency in turn leases the property or other collateral back to the Beneficiary for a period concurrent with the maturity of the related IDB or the term of the tax benefits. Rental payments are calculated to be sufficient to meet the debt service obligation on the IDB. The Financing Lease includes a bargain purchase option, which allows the Beneficiary to cancel the lease or, in those transactions in which the Beneficiary sold the property to the Agency, repurchase the property, for a nominal sum upon expiration of the Financing Lease and after satisfaction of all terms thereof.

The total conduit debt obligations outstanding totaled $3.06 billion and $3.29 billion for the years ended June 30, 2018 and 2017, respectively. For more detailed information, please refer to the following website: https://www.nycedc.com/nycida/financial-public-documents.

Due to the fact that (1) the IDBs are non-recourse conduit debt obligations to the Agency, (2) the Agency assigns its interest in the Financing Lease as collateral, and (3) the Agency has no substantive obligations under the Financing Lease (other than to convey back the project property at the end of the IDB term, and to issue IDBs in those projects where subsequent issuance is contemplated), the Agency has, in effect, none of the risks and rewards of the Financing Lease and related IDB financing. Accordingly, with the exception of certain fees derived from the Financing Transaction, the Financing Transaction itself is given no accounting recognition in the accompanying financial statements.

In addition to IDB financing, the Agency also issued Tax-Exempt PILOT Revenue Bonds, Taxable Rental Revenue Bonds, Taxable Installment Purchase Bonds and Taxable Lease Revenue Bonds in connection with the construction of the new Yankee Stadium and Citi Field (the "Stadia Projects"). Yankee Stadium, LLC, a Delaware limited liability company, and Queens Ballpark, LLC, a New York limited liability company, undertook the design, development, acquisition and construction of the Stadia Projects. The Taxable Bonds are special limited obligations of the Agency and are payable solely from revenues derived from a Lease Agreement with Yankee Stadium, LLC and a Lease Agreement and Installment Sales Agreement with Queens Ballpark Company, LLC.

1. Background and Organization (continued)

The Tax-Exempt PILOT Bonds are special limited obligations of the Agency payable solely from PILOT Revenues derived from PILOTs made by Yankee Stadium, LLC and Queens Ballpark Company, LLC. However, since the Tax-Exempt PILOT Bonds were issued to finance the construction of the Stadia and because the Agency is the legal owner of the Stadia, the Tax Exempt PILOT Bonds have been recorded in the Agency's books and records.

During fiscal year 2016, the Agency paid for a security interest in the amount of $10.45 million in certain eligible equipment at the Fresh Direct facility, located in the Harlem River Yards, relating to the December 19, 2013 straight-lease transaction for the benefit of Fresh Direct LLC. The Agency will hold the security interest until the completion of project work by December 1, 2018, after which the Agency will terminate its security interest in the acquired equipment assets.

2. Summary of Significant Accounting Policies

Basis of Accounting

IDA is classified as an "enterprise fund," as defined by the Governmental Accounting Standards Board ("GASB"), and as such, the financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the US ("GAAP").

In accordance with GAAP, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

Cash Equivalents

The Agency considers all highly liquid investments purchased with original maturities of 90 days or less to be cash equivalents.

Investments

Investments held by the Agency are recorded at fair value.

2. Summary of Significant Accounting Policies (continued)

Upcoming Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The Agency is evaluating the impact this standard will have on its financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this statement are effective for fiscal years beginning after June 15, 2018. The Agency is evaluating the impact this standard may have on the Agency's financial statements.

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

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. Provisions of this Statement are effective for fiscal years beginning after December 15, 2018. The Agency does not anticipate any related impact on its financial statements.

2. Summary of Significant Accounting Policies (continued)

Revenue and Expense Classification

Operating revenues consists of fee income from application fees, financing fees and compliance monitoring fees. Fees are recognized as earned. Compliance monitoring fees are received annually, in advance and deferred and amortized into income as earned.

Other operating income represents administrative fees and amounts, primarily penalties, associated with the recapture of IDA benefits remitted by certain beneficiaries. Recaptured IDA benefits represent the difference between the full tax amount and the amounts actually paid by beneficiaries and result from a beneficiary's violation of an IDA agreement.

Recaptured benefits were recorded net of amounts due to the City and the State. The related recapture benefits that were due to the City were recorded as other liabilities until such time as they were disbursed to the City. For the year ended June 30, 2018, IDA remitted $3.9 million to the City and other agencies relating to these recapture benefits, of which $1.4 million was for the City. For the year ended June 30, 2017, IDA remitted $6.5 million to the City and other agencies relating to these recapture benefits, of which $2.6 million was for the City. IDA's operating expenses include management fees and other administrative expenses. All other revenues and expenses not described above are considered non-operating.

Bond Premium, Discount, and Other Bond Related Costs

Discount and premium on bonds are deferred and amortized to interest expense using a method approximating the effective interest method. Bond related costs are expensed in the period incurred.

3. Deposits and Investments

Deposits

At year-end, IDA's unrestricted bank balance was approximately $4.0 million. Of this amount, $0.3 million was covered by the Federal Depository Insurance Corporation ("FDIC") and $3.7 million was collateralized with securities held by the pledging financial institution.

The Non-Stadia Projects restricted bank balance was approximately $3.0 million. Of this amount, $0.3 million was insured by the FDIC and $2.7 million was collateralized with securities held by the pledging financial institution.

3. Deposits and Investments (continued)

Investments

As of June 30, 2018 and 2017, the Agency had the following investments *(in thousands)*: Investments maturities are shown for June 30, 2018 only.

	Fair Value		2018 Investment Maturities (In Years)	
	2018	2017	**Less Than 1**	**1 to 2**
Money Market	**$ 4,377**	$ 794	**$ 4,377**	**$ –**
Federal National Mort. Assn. Notes	**6,819**	6,790	**6,819**	–
Federal Home Loan Mort. Corp. Notes	**5,190**	17,375	**5,190**	–
Federal Home Loan Bank Notes	**5,810**	3,795	**2,806**	**3,004**
Federal Farm Credit Bank	**1,245**	1,246	**1,245**	–
US Treasury Note	**1,499**	–	**1,499**	–
Certificates of Deposit (over 90 days)	**100**	1,059	**100**	–
Total	**25,040**	31,059	**$ 22,036**	**$ 3,004**
Less: cash equivalents	**(4,377)**	(793)		
Total unrestricted investments	**$ 20,663**	$ 30,266		

Fair Value Measurement – Fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Money Market Funds, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. US Agencies securities, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

IDA's investment policy permits the Agency to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations guaranteed by agencies of the United States of America. Other investments include certificates of deposit, and time deposits. All investments are either insured or registered and held by the Agency or its agent in the Agency's name.

Interest Rate Risk: The Agency has a formal investment policy which limits investment maturities to a maximum of two years from the date of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. Deposits and Investments (continued)

Credit Risk: It is the Agency's policy to limit its investments in debt securities to obligations of the United States of America and its agencies, and obligations of the State of New York. As of June 30, 2018, the Agency's investments in Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and US Treasury Note were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings.

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

The Agency manages credit risk by limiting its custodial exposure to highly rated institutions and/or requiring high quality collateral to be held by the counterparty.

Concentration of Credit Risk: The Agency places no limit on the amount the Agency may invest in any United States of America government backed securities. The following table shows investments that represent 5% or more of total investments *($ in thousands)*:

	Dollar Amount and Percentage of Total Investments			
Issuer	**June 30, 2018**		**June 30, 2017**	
Federal Home Loan Mortgage Corp.	**$ 5,190**	**25.12%**	$ 17,375	57.41%
Federal Home Mortgage Assn.	**6,819**	**33.00**	6,790	22.44
Federal Home Loan Bank	**5,810**	**28.12**	3,795	12.54
US Treasury Note	**1,499**	**7.25**	–	–
Federal Farm Credit Bank	**1,245**	**6.03**	–	–

Restricted Funds Held in Trust – Stadia Projects

Restricted cash, cash equivalents and investments, related to the Stadia Projects, are segregated and designated for purposes of the debt reserve fund and to pay future bond interest and principal payments. These investments are managed by an external investment portfolio manager. Qualified investments, as defined in the bond agreements, are technically made under the direction of the Agency.

3. Deposits and Investments (continued)

Fair Value Measurement – The Money Market Funds, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. US Treasury securities, categorized as Level 2, are valued based on models using observable inputs.

Under the bond agreements, the Agency does not have any obligation to make further contributions to the Stadia Projects. Accordingly, the Agency's financial responsibility will not exceed the amounts currently on deposit in the managed investment portfolio. Therefore, the Agency's obligation is not affected by various risks which include credit risk, interest rate risk and concentration of credit risk. In addition, the restricted investments are not required to be administered in accordance with the Agency's or New York State investment guidelines. IDA's restricted bank balance for the Stadia Projects was $12.1 million as of June 30, 2018. The restricted cash equivalents and restricted investments for the Stadia Projects were $27.9 million and $85.0 million, respectively, as of June 30, 2018.

4. Management Fees and Other Charges

To support the activities of the IDA, the Agency annually enters into a contract with the NYCEDC. Under the terms set forth in the NYCEDC and IDA agreement, NYCEDC is to provide IDA with all the professional, administrative and technical assistance it needs to accomplish its objectives. The fixed annual fee for these services is based on an agreement between NYCEDC and the Agency. Such fees amounted to $3.3 million for the years ended June 30, 2018 and 2017.

5. Bonds Payable

The changes in outstanding Series 2006 and Series 2009 Tax Exempt PILOT Bonds for the years ended June 30, 2018 and 2017 are summarized as follows *(in thousands)*:

2018:

Description	Bonds Outstanding June 30, 2017	New Bond Issuances	Matured/ Called/ Redeemed	Bonds Outstanding June 30, 2018	Amount Due Within One Year
Queens Baseball Stadium Project:					
Series 2006 PILOT Bonds, 3.6% to 5%, due 2046	**$ 497,205**	$ –	$ 7,700	**$ 489,505**	$ 8,105
Series 2009 PILOT Bonds, 4.0% to 6.50%, due 2046	**76,260**	–	935	**75,325**	985
Yankee Stadium Project:					
Series 2006 PILOT Revenue Bonds, 3.6% to 5%, due 2046	**662,670**	–	–	**662,670**	–
Series 2006 CPI Bonds, 3.2% to 3.5%, due 2027	**171,335**	–	14,195	**157,140**	14,765
Series 2009 Capital Appreciation Bonds, 4.03% to 7.90%, due 2047	**44,725**	–	4,275	**40,450**	3,889
Series 2009 Current Interest Term Bonds, 7.00%, due 2049	**191,960**	–	–	**191,960**	–
Total	**1,644,155**	$ –	$ 27,105	**$ 1,617,050**	$ 27,744
Net premium (discount)	**48,026**			**45,552**	
Bonds payable, net	**$ 1,692,181**			**$ 1,662,602**	

2017:

Description	Bonds Outstanding June 30, 2016	New Bond Issuances	Matured/ Called/ Redeemed	Bonds Outstanding June 30, 2017	Amount Due Within One Year
Queens Baseball Stadium Project:					
Series 2006 PILOT Bonds, 3.6% to 5%, due 2046	$ 504,540	$ –	$ 7,335	$ 497,205	$ 7,700
Series 2009 PILOT Bonds, 4.0% to 6.50%, due 2046	77,150	–	890	76,260	935
Yankee Stadium Project:					
Series 2006 PILOT Revenue Bonds, 3.6% to 5%, due 2046	662,670	–	–	662,670	–
Series 2006 CPI Bonds, 3.2% to 3.5%, due 2027	184,985	–	13,650	171,335	14,195
Series 2009 Capital Appreciation Bonds, 4.03% to 7.90%, due 2047	49,258	–	4,533	44,725	4,275
Series 2009 Current Interest Term Bonds, 7.00%, due 2049	191,960	–	–	191,960	–
Total	1,670,563	$ –	$ 26,408	$ 1,644,155	$ 27,105
Net premium (discount)	50,544			48,026	
Bonds payable, net	$ 1,721,107			$ 1,692,181	

5. Bonds Payable (continued)

Queens Baseball Stadium Project

On August 22, 2006, IDA issued Tax Exempt PILOT Bonds (Queens Baseball Stadium Project) Series 2006 in the amount of $547.4 million (the "PILOT Bonds") for the purpose of financing the design, development, acquisition, construction, and equipping of a Major League Baseball Stadium to be used by the New York Mets professional baseball team, the improvement of certain parking facilities, and the demolition of Shea Stadium (collectively the "Project"), funding the capitalized interest funds, to purchase debt service reserve credit facilities, and to pay for bond issuance costs. The PILOT Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Queens Ballpark Company, L.L.C. pursuant to the PILOT Agreement dated August 1, 2006, and certain funds and accounts held under the PILOT Bonds Indenture. Payment of the principal and interest on the PILOT Bonds is insured by an insurance policy from Ambac Assurance Corporation. No other funds or assets of IDA are pledged towards the payment of such bonds. The original issue premium of $20.6 million is being amortized over the life of the Series 2006 bonds.

At June 30, 2018 and 2017, $489.5 million and $497.2 million, respectively, of the Series 2006 Bonds remained outstanding. The Series 2006 Bonds bear interest at fixed rates to the maturity thereof, payable semiannually each January 1 and July 1, commencing January 1, 2007.

On February 5, 2009, IDA issued additional PILOT Bonds Series 2009 in the amount of $82.3 million for the Project (see Note 7), funding the capitalized interest funds, to purchase debt service reserve credit facilities, and to pay for bond issuance costs. The PILOT Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Queens Ballpark Company, L.L.C. pursuant to the PILOT Agreement dated August 1, 2006, and certain funds and accounts held under the PILOT Bonds Indenture. Payment of the principal and interest on the PILOT Bonds is insured by an insurance policy from Assured Guaranty Corp. No other funds or assets of IDA are pledged towards the payment of such bonds. The original issue discount of $1.2 million is being amortized over the life of the Series 2009 bonds.

5. Bonds Payable (continued)

At June 30, 2018 and 2017, $75.3 million and $76.3 million, respectively, of the Series 2009 Bonds remained outstanding. The Series 2009 Bonds bear interest at fixed rates to the maturity thereof, payable semiannually each January 1 and July 1, commencing July 1, 2009.

Yankee Stadium Project

On August 22, 2006, IDA issued Tax Exempt PILOT Revenue Bonds (Yankee Stadium Project) Series 2006 in the amount of $942.6 million, which consist of the PILOT Revenue Bonds and the CPI Bonds in the amount of $744.4 million and $198.1 million, respectively, for the purpose of paying a portion of the design, development, acquisition, construction, and fitting out of a Major League Baseball Stadium located in the Bronx, New York to be used by the New York Yankees Major League Baseball team and to pay for various bond issuance costs. The PILOT Revenue Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Yankee Stadium LLC pursuant to the PILOT Agreement dated August 1, 2006, and certain funds and accounts held under the PILOT Bonds Indenture. Payment of principal and interest on the PILOT Revenue Bonds maturing on September 1, 2009, March 1, 2010 through and including March 1, 2015, March 1, 2023, March 1, 2024, March 1, 2036, and certain related bonds maturing on March 1, 2046 is insured by an insurance policy from MBIA Insurance Corporation. Payment of principal and interest on the PILOT Revenue Bonds maturing on March 1, 2016 through and including March 1, 2022, March 1, 2025 through and including March 1, 2028, March 1, 2031, March 1, 2039, and certain bonds maturing on March 1, 2046 is insured by an insurance policy from Financial Guaranty Insurance Company. No other funds or assets of IDA are pledged towards the payment of such bonds.

The original issue premium of $23.6 million is being amortized over the life of the Series 2006 bonds.

The CPI Bonds will pay interest to the bondholders on the first business day of each month beginning October 2, 2006 with funds provided by Goldman Sachs Capital Markets LP (“GSCM”) according to the Swap agreement between IDA and GSCM, dated August 16, 2006. On September 21, 2008, Goldman Sachs Bank USA became the successor to GSCM. Funds from the IDA capitalized interest account will be used to reimburse Goldman Sachs Bank USA at the fixed swap interest rates every March 1 and September 1, beginning March 1, 2007. The average fixed swap interest rates for the years ended June 30, 2018 and 2017 were 4.12% and 4.10%, respectively, due to the bond redemption during the fiscal year 2018. The average

5. Bonds Payable (continued)

CPI Swap interest rates for the years ended June 30, 2018 and 2017 were 2.90% and 2.54%, respectively.

Interest on the Series 2006 PILOT Revenue bonds, excluding the CPI Bonds, are payable on March 1 and September 1, in each year, beginning March 1, 2007. At June 30, 2018 and 2017, $819.8 million and $834.0 million, respectively, of the Series 2006 Revenue Bonds remained outstanding.

On February 5, 2009, IDA issued additional Tax Exempt PILOT Revenue Bonds (Yankee Stadium Project) Series 2009 in the amount of $259.0 million, which consist of the PILOT Capital Appreciation Bonds and the PILOT Current Interest Term Bonds in the amount of $67.0 million and $192.0 million, respectively, for the Yankees Stadium Project. The PILOT Revenue Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Yankee Stadium LLC pursuant to the PILOT Agreement dated August 1, 2006 and certain funds and accounts held under the PILOT Bonds Indenture. Payment of the principal and interest on the PILOT Bonds is insured by an insurance policy from Assured Guaranty Corp. No other funds or assets of IDA are pledged towards the payment of such bonds. The original issue premium of $31.3 million is being amortized over the life of the Series 2009 bonds.

At June 30, 2018 and 2017, $232.4 million and $236.7 million, respectively, of the Series 2009 Bonds remained outstanding. The Series 2009 Capital Appreciation Bonds accrete interest, payable only upon maturity or prior redemption. The Series 2009 Current Interest Term Bonds bear interest at a fixed rate of 7.0% to the maturity thereof, payable each September 1 and March 1, commencing September 1, 2009.

5. Bonds Payable (continued)

Required debt payments for the next five years and thereafter are as follows for the Stadia Projects *(in thousands)*:

Year Ended June 30,	Principal	Interest	Total
2019	$ 27,744	$ 92,744	$ 120,488
2020	28,462	91,066	119,528
2021	29,296	89,357	118,653
2022	30,202	87,610	117,812
2023	31,198	85,818	117,016
2024–2028	174,254	400,234	574,488
2029–2033	217,052	342,627	559,679
2034–2038	276,623	272,698	549,321
2039–2043	352,763	188,926	541,689
2044–2048	378,226	84,092	462,318
2049	71,230	3,324	74,554
Total	$ 1,617,050	$ 1,738,496	$ 3,355,546

5. Bonds Payable (continued)

Swap Payments and Associated Debt

The table that follows represents debt service payments on the CPI Bonds, plus the net swap payments associated with those bonds, as of June 30, 2018. The below amounts are included in the above required debt payment table. Although interest rates on variable rate debt change over time, the calculations included in the table below are based on the assumption that the average variable rate of 3.30% on June 30, 2018, remains constant over the life of the bonds *(in thousands)*:

	CPI Bonds		Fixed	
Year Ended June 30	**Principal Maturities**	**CPI Interest**	**Interest Rate Swaps, Net**	**Total**
2019	$ 14,765	$ 5,197	$ 1,300	$ 21,262
2020	15,360	4,721	1,184	21,265
2021	15,995	4,221	1,061	21,277
2022	16,655	3,696	932	21,283
2023	17,350	3,146	796	21,292
2024–2027	77,015	6,571	1,671	85,257
Total	$ 157,140	$ 27,552	$ 6,944	$ 191,636

6. Derivative Instruments

Objectives of the Swaps

In connection with the issuance of the Series 2006 Tax Exempt PILOT Bonds maturing annually beginning on March 1, 2016 through and including March 1, 2027 (the “CPI Bonds”) currently outstanding under the Yankee Stadium Project, IDA has entered into a swap agreement to hedge the changes in the swap interest rates and associated cash flows of the CPI Bonds. Based on the consistency of the terms of the swap and the CPI Bonds, the swap is a hedging instrument using the consistent critical terms method.

6. Derivative Instruments (continued)

In accordance with GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the fair value of the derivative instrument liability and the corresponding deferred outflow of resources were $7.4 million and $12.4 million at June 30, 2018 and 2017, respectively.

Terms, Fair Values, and Credit Risk

The Agency pays a fixed interest rate on the notional amount that represents the principal amount of the related bonds. As noted under the "Basis Risk" paragraph further in this note, the counterparty will be paying the Agency a floating interest rate on the notional amount of the swap which is expected to result in an amount that is equal to the variable interest payments to be made by the Agency to the Bondholders of the related CPI Bonds. At times, the payments due from the counterparty and the Agency will be netted and only one net payment will be made from one party to the other, but this will not change the Agency's obligation to make the variable interest payments to the Bondholders of the related CPI Bonds. IDA will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated; however IDA's recourse with respect to the swap liability is only to the extent that the IDA receives a PILOT payment from the Yankees.

6. Derivative Instruments (continued)

The following table displays the terms of the Agency's hedging derivative instruments outstanding at June 30, 2018:

Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Outstanding Notional Amounts	Counterparty ***
8/22/2006	3/1/2019	4.010%	CPI Rate**	$14,765,000	Goldman Sachs Bank USA
8/22/2006	3/1/2020	4.050	CPI Rate**	$15,360,000	Goldman Sachs Bank USA
8/22/2006	3/1/2021	4.090	CPI Rate**	$15,995,000	Goldman Sachs Bank USA
8/22/2006	3/1/2022	4.120	CPI Rate**	$16,655,000	Goldman Sachs Bank USA
8/22/2006	3/1/2023	4.140	CPI Rate**	$17,350,000	Goldman Sachs Bank USA
8/22/2006	3/1/2024	4.160	CPI Rate**	$18,075,000	Goldman Sachs Bank USA
8/22/2006	3/1/2025	4.180	CPI Rate**	$18,835,000	Goldman Sachs Bank USA
8/22/2006	3/1/2026	4.190	CPI Rate**	$19,630,000	Goldman Sachs Bank USA
8/22/2006	3/1/2027	4.210	CPI Rate**	$20,475,000	Goldman Sachs Bank USA

** The Consumer Price Index for purposes of the CPI Bonds is the Non-revised Index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment (CPI), published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor (BLS) and reported on Bloomberg CPURNSA.

*** On September 21, 2008, Goldman Sachs Bank USA became the successor to GSCM.

6. Derivative Instruments (continued)

The changes in fair value of such derivative instruments for the year ended as reported in the 2018 financial statements are as follows *(in thousands)*:

Change in Fair Value		Fair Value at June 30, 2018		Notional
Classification	**Amount**	**Classification**	**Amount**	**Amount**
Deferred inflow of resources	$ 304	Debt	$ (213)	14,765
Deferred inflow of resources	330	Debt	(382)	15,360
Deferred inflow of resources	379	Debt	(526)	15,995
Deferred inflow of resources	449	Debt	(661)	16,655
Deferred inflow of resources	525	Debt	(802)	17,350
Deferred inflow of resources	593	Debt	(953)	18,075
Deferred inflow of resources	656	Debt	(1,116)	18,835
Deferred inflow of resources	715	Debt	(1,277)	19,630
Deferred inflow of resources	769	Debt	(1,462)	20,475
	$ 4,720		$ (7,392)	

Credit Risk

The swap agreements contain collateral agreements with the counterparty. The counterparty only posts collateral if (i) the rating of Goldman Sachs Bank falls to BBB+ or Baa1 or below from either of Moody's or S&P and (ii) the market value of the swap transactions covered by the credit support annex is in favor of the Agency in an amount that exceeds the threshold amount and the minimum transfer amount. Collateral that is posted can be cash, treasuries or agencies (FNMA, GNMA and FHLMC). This protects the Agency by mitigating the credit risk inherent in the swap. As of June 30, 2018, Goldman Sachs Bank USA is rated A+ by Standard and Poor's, A1 by Moody's, and A+ by Fitch Ratings. Additionally, the Agency is only obligated to pay as the counterparty to the extent of the receipt of PILOT revenues from Yankee Stadium LLC.

6. Derivative Instruments (continued)

Basis Risk

Basis risk exists to the extent the Agency's variable rate bond coupon payments do not exactly equal the index on the swap. The floating rate that the Agency is entitled to receive under the swap agreement is expected to be identical to the floating rate payable by the Agency with respect to the CPI Bonds.

Interest Rate Risk

IDA's interest rate swaps serve to guard against a rise in variable interest rates associated with its outstanding variable rate bonds.

Termination Risk

The Agency retains the right to terminate any swap agreement at the market value prior to its scheduled termination date. The Agency has termination risk under the contract as defined in the swap documents and has purchased termination payment insurance on certain swap contracts, which acts as a buffer against a portion of potential termination payments if a termination event was to occur. As long as the swap insurer maintains at least a minimal rating as defined in the swap documents, the insurance policy will allow the Agency to avoid termination due to a decline in the credit rating of Agency bonds. If at the time of termination, the swap has a negative fair value, the Agency would be liable to the counterparty to the extent PILOTs are available, for a payment equal to the swap's fair value.

7. PILOT Lease Receivable, Net

IDA has entered into various direct financing lease agreements with two commercial entities (Queens Ballpark Company, LLC and Yankee Stadium, LLC) relating to the issuance of PILOT Bonds payable. The PILOT Bonds were used to finance the previously noted Stadia Projects. The lease agreements provide for basic rental payments by the tenants to IDA in an amount equal to the debt service on the bonds. Pursuant to the terms of the agreements, the debt service on these bonds are payable solely from scheduled rental payments, and IDA has no legal obligation to make any debt service payments on the bonds. Although variable interest rates will change over time, the calculations included in the tables below are based on the assumption that the variable rate on June 30, 2018 remains constant over the life of the leases.

7. PILOT Lease Receivable, Net (continued)

At June 30, 2018 and 2017, the outstanding leases and the receivable amounts were as follows *(in thousands)*:

	2018	2017
Queens Stadium Project, through 2046	**$ 1,064,410**	$ 1,083,801
Yankee Baseball Stadium Project, through 2049	**2,218,139**	2,287,734
Aggregate lease receivable – gross	**3,282,549**	3,371,535
Less: deferred interest	**(1,602,135)**	(1,693,861)
Aggregate lease receivable – net	**$ 1,680,414**	$ 1,677,674

The aggregate lease receipts due through 2023 and thereafter are as follows *(in thousands)*:

	Queens Stadium	Yankee Stadium	Total
2019	$ 43,950	$ 84,237	$ 128,187
2020	44,000	84,233	128,233
2021	44,000	84,233	128,233
2022	44,000	84,237	128,237
2023	44,050	84,238	128,288
2024–2028	220,900	321,174	542,074
2029–2033	222,000	321,177	543,177
2034–2038	223,500	321,179	544,679
2039–2043	225,500	321,178	546,678
2044–2048	113,650	394,675	508,325
2049	–	81,464	81,464
	1,225,550	2,182,025	3,407,575
Less: restricted funds related to Stadia Projects			(125,026)
			$ 3,282,549

7. PILOT Lease Receivable, Net (continued)

Lease payment receivable activity for the years ended June 30, 2018 and 2017, was as follows *(in thousands)*:

	Beginning Balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018
Gross receivable	**$ 3,371,535**	**$** –	$ (88,986)	**$ 3,282,549**
Less: deferred interest	**1,693,861**	–	(91,726)	**1,602,135**
Net receivable	**$ 1,677,674**	**$** –	$ 2,740	**$ 1,680,414**

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017
Gross receivable	**$ 3,481,501**	**$** –	$ (109,966)	**$ 3,371,535**
Less: deferred interest	**1,787,011**	–	(93,150)	**1,693,861**
Net receivable	**$ 1,694,490**	**$** –	$ (16,816)	**$ 1,677,674**

8. Commitments

Pursuant to various approved agreements between IDA and NYCEDC, IDA was committed to fund projects being performed by NYCEDC related to the City's commerce and industrial development (the "special project commitments"). The total special project commitments under these agreements amounted to approximately $14.0 million with an outstanding obligation at June 30, 2018, of approximately $2.0 million.

The Project Commitments, related approval dates, original and outstanding commitment balances are as follows *(in thousands)*:

Project	Approval Date	Total Commitment	Life-to-date Expenditures	Current Total De-Obligate	Outstanding Commitment
Hunts Point Peninsula/Vision Plan	07/29/03	$ 795	$ 776	$ –	$ 19
Hunts Point Food Distribution Center, Development Feasibility Studies	12/11/07	700	488	–	212
New York's Next Top Makers	01/08/13	930	907	23	–
Downtown Jamaica Workspace	12/10/13	250	80	–	170
Industrial Growth Initiative – Phase IV	01/13/15	310	256	54	–
Living Lab Network – Phase I	04/14/15	600	456	–	144
Workforce1 Industrial & Transportation Career Center Satellites	06/09/15	1,600	814	786	–
North Brooklyn Industrial Business Zone Land Use Framework	12/8/15	500	499	1	–
FutureWorks NYC / Advanced Manufacturing Network Centers	5/12/15	8,295	6,802	–	1,493
Best for NYC	3/8/16	–	4	(4)	–
		$ 13,980	$ 11,082	$ 860	$ 2,038

For the years ended June 30, 2018 and 2017, $3.2 million and $7.0 million, respectively, have been incurred by the Agency related to the above projects and are included in special project costs on the accompanying statements of revenue, expenses and changes in net position.

9. Contingencies

IDA, and in certain situations as co-defendant with the City and/or NYCEDC, is involved in personal injury, environmental claims, and other miscellaneous claims and lawsuits. In many of these matters there is liability coverage insuring the IDA and the IDA's clients are, in any case, obligated to indemnify IDA. IDA is unable to predict the outcome of each of these matters but believes that the IDA has meritorious defenses or positions with respect thereto. It is management's opinion that, except for the matters noted below, the ultimate resolution of these matters will not be material to the Agency.

Management believes that the following matter could have a material adverse effect on IDA's operations:

By letters dated January 7, 2009, December 2, 2009, and a Consent Order dated May 22, 2013, the New York State Department of Environmental Conservation ("DEC") has notified IDA that DEC will seek contribution from IDA in connection with the remediation, respectively, of three sites in Brooklyn, one site in Long Island City, and another site in Queens that are or were used by clients to which IDA has provided financial assistance. If IDA is found to have liability, IDA would be entitled to indemnification from these clients. However, IDA believes that the remediation costs will be substantial and would exceed the clients' ability to meet their indemnity obligations.

IDA is unable to predict the outcome of the matters described above, but believes it has meritorious defenses with respect thereto.

10. Risk Management

IDA is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; and natural disasters. IDA requires all beneficiaries to purchase and maintain commercial insurance coverage for these risks and name the IDA as additional insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage provided by the beneficiaries in any of the past fiscal years.

Supplemental Information

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of New York)
Statements of Net Position
(in thousands)

		Restricted			June 30,	
	Unrestricted	Queens Baseball Stadium Project	Yankee Baseball Stadium Project	Total Restricted	2018	2017
Assets						
Current Assets:						
Cash and cash equivalents	$ 8,408	$ -	$ -	$ -	$ 8,408	$ 2,092
Investments (Note 5)	17,659	-	-	-	17,659	12,456
Restricted cash (Note 5)	3,054	-	-	-	3,054	3,111
Fees receivable, net of allowance for doubtful accounts of $8 and $24, respectively	443	-	-	-	443	503
Secured interest on assets	10,450	-	-	-	10,450	-
PILOT lease receivable, net	-	9,090	18,654	27,744	27,744	27,105
Total current assets	40,014	9,090	18,654	27,744	67,758	45,267
Non-current assets:						
Investments	3,004	-	-	-	3,004	17,810
Restricted cash and cash equivalents-stadia projects	-	26,650	13,351	40,001	40,001	65,809
Restricted investments - stadia projects	-	-	85,025	85,025	85,025	85,586
Secured interest on assets	-	-	-	-	-	10,450
PILOT lease receivable, net	-	554,682	1,097,988	1,652,670	1,652,670	1,650,569
Total non-current assets	3,004	581,332	1,196,364	1,777,696	1,780,700	1,830,224
Total assets	43,018	590,422	1,215,018	1,805,440	1,848,458	1,875,491
Deferred outflows of resources						
Derivative instrument - interest rate swap	-	-	7,392	7,392	7,392	12,404
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	884	-	-	-	884	1,598
Due to NYC Economic Development Corp.	1,278	-	-	-	1,278	2,235
Bonds payable - current	-	9,090	18,654	27,744	27,744	27,105
Interest payable on bonds	-	14,532	128,306	142,838	142,837	136,888
Unearned revenues	695	-	-	-	695	747
Other liabilities	3,054	-	-	-	3,054	3,111
Total current liabilities	5,911	23,622	146,960	170,582	176,492	171,684
Non-current liabilities						
Bonds payable, net	-	566,800	1,068,058	1,634,858	1,634,858	1,665,076
Derivative instrument-interest rate swap	-	-	7,392	7,392	7,392	12,404
Total non-current liabilities	-	566,800	1,075,450	1,642,250	1,642,250	1,677,480
Total liabilitites	5,911	590,422	1,222,410	1,812,832	1,818,742	1,849,164
Net position - unrestricted	**$ 37,107**	**$ -**	**$ -**	**$ -**	**$ 37,108**	**$ 38,731**

See accompanying notes.

II. Government Auditing Standards Section

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Building a better working world

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

The Management and the Board of Directors
New York City Industrial Development Agency

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New York City Industrial Development Agency (the "Agency"), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Ernst + Young LLP

September 30, 2018