

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

New York City Industrial Development Agency
(a component unit of The City of New York)
Years Ended June 30, 2015 and 2014
With Report of Independent Auditors

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

Financial Statements and Supplemental Information

Years Ended June 30, 2015 and 2014

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I. Financial Section



Ernst & Young LLP
5 Times Square
New York, NY 10036-6530

Tel: +1 212 773 3000
Fax: +1 212 773 6350
ey.com

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, 2015 and 2014, 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, 2015 and 2014, 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.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 28, 2015, 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 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 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 Agency's internal control over financial reporting and compliance.

Ernst & Young LLP

September 28, 2015

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

Management's Discussion and Analysis

June 30, 2015

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, 2015. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

2015 Financial Highlights

- Current assets increased \$8,600,436 (or 14%)
- Current liabilities increased \$9,903,909 (or 7%)
- Unrestricted net position increased \$658,655 (or 1%)
- Operating revenues decreased \$644,697 (or 9%)
- Operating expenses decreased \$1,452,976 (or 23%)
- Operating income increased \$808,279 (or 67%)
- Non-operating expenses decreased \$1,507,322 (or 53%)

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 a public benefit agency 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.

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

Management's Discussion and Analysis (continued)

June 30, 2015

Financial Analysis of the Agency

Net Position – The following table summarizes IDA's financial position at June 30, 2015, 2014, and 2013 (\$ in thousands) and the percentage changes between June 30, 2015, 2014 and 2013:

	2015	2014	2013	% Change	
				2015–2014	2014–2013
Current assets	\$ 71,479	\$ 62,878	\$ 79,117	14%	(21)%
Non-current assets	1,851,839	1,877,701	1,877,054	(1)	–
Total assets	1,923,318	1,940,579	1,956,171	(1)	(1)
Deferred outflows of resources	18,317	11,938	15,908	53	(25)
Current liabilities	149,939	140,035	126,399	7	11
Non-current liabilities	1,741,982	1,763,427	1,794,968	(1)	(2)
Total liabilities	1,891,921	1,903,462	1,921,367	(1)	(1)
Total net position	\$ 49,714	\$ 49,055	\$ 50,712	1%	(3)%

Fiscal Year 2015 Activities:

Current assets increased by \$8,600,436 or 14% as a result of converting long-term investments to short-term investments. Accordingly, non-current assets decreased by \$25,861,566 or 1% due to the investment activity and payments relating to the Stadia Projects.

Deferred outflows of resources increased by \$6,378,908 or 53% due to the market conditions relating to the swap instruments of the Series 2006 CPI Bonds (Yankee Stadium Project). The CPI Bonds are special limited obligations of the Agency. This increase was offset by an equivalent decrease in non-current liabilities and, therefore, will not have an impact on these financial statements.

Total current liabilities increased by \$9,903,909 or 7% mainly due to an increase of the accreted interest payable by \$10,983,978 relating to the PILOT Revenue Bonds Series 2009A (Yankee Stadium Project). Total non-current liabilities decreased by \$21,444,776 or 1% due to the principal payments made to the bondholders of the Stadia Bonds.

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Management's Discussion and Analysis (continued)

June 30, 2015

The Agency's net position increased by \$658,655 or 1% due to the decrease in management fees of \$1,500,000 in fiscal year 2015. This is a result of the assumption of some the Agency's bond transactions and related administrative costs by Build NYC, a local development corporation organized to assist entities in obtaining tax-exempt and taxable bond financing.

Fiscal Year 2014 Activities:

Current assets decreased by \$16,238,661 or 21% as a result of converting short-term investments to long-term investments. Accordingly, non-current assets increased by \$646,157 due to the investment activity and payments relating to the Stadia Projects.

Deferred outflows of resources decreased by \$3,969,877 or 25% due to the market conditions relating to the swap instruments of the Series 2006 CPI Bonds (Yankee Stadium Project). The CPI Bonds are special limited obligations of the Agency. This decrease was offset by an equivalent increase in non-current liabilities and, therefore, will not have an impact on these financial statements.

Total current liabilities increased by \$13,635,535 or 11% mainly due to an increase of the accreted interest payable by \$12,343,756 relating to the PILOT Revenue Bonds Series 2009A (Yankee Stadium Project).

The Agency's net position decreased by \$1,656,946 or 3% due to special project costs incurred in fiscal year 2014.

Operating Activities

The Agency assists industrial, commercial and not-for-profit organizations 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 bonds. In addition, the Agency also assists participants through a "straight lease" structure which provides tax benefits to participants to incentivize the acquisition and capital improvement of their facilities. Whether the Agency issues tax-exempt bonds on behalf of qualified companies or merely enters into a straight lease, the Agency may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes 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, 2015 and 2014, IDA did not issue any tax exempt bonds.

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Management's Discussion and Analysis (continued)

June 30, 2015

During fiscal years 2007 and 2009, in connection with the construction and financing of the Stadia Projects, the Agency issued Tax Exempt Payment in lieu of Taxes ("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.

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

New York City Industrial Development Agency
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Management's Discussion and Analysis (continued)

June 30, 2015

The following table summarizes IDA's changes in net position for fiscal years 2015, 2014, and 2013 (\$ in thousands) and the percentage changes between June 30, 2015, 2014 and 2013:

	2015	2014	2013	% Change	
				2015-2014	2014-2013
Operating revenues:					
Fee income	\$ 6,345	\$ 6,747	\$ 4,544	(6)%	48%
Other income	430	673	2,415	(36)	(72)
Total operating revenues	6,775	7,420	6,959	(9)	7
Operating expenses:					
Management fees	4,552	6,052	6,052	(25)	-
Other expenses	213	166	231	28	(28)
Total operating expenses	4,765	6,218	6,283	(23)	(1)
Operating income	2,010	1,202	676	67	78
Non-operating revenues (expenses):					
Earnings on investments	193	54	82	257	(34)
Special project costs	(1,544)	(2,913)	(7,320)	(47)	(60)
PILOT lease income	96,200	96,819	97,489	(1)	(1)
PILOT investment income	2,761	2,861	3,463	(3)	(17)
Bond interest expense	(98,961)	(99,680)	(100,952)	(1)	(1)
Total non-operating revenues (expenses)	(1,351)	(2,859)	(7,238)	(53)	(61)
Change in net position	659	(1,657)	(6,562)	140	75
Beginning net position	49,055	50,712	57,274	(3)	(11)
Ending net position	\$ 49,714	\$ 49,055	\$ 50,712	1%	(3)%

Fiscal Year 2015 Activities:

Fee income decreased by \$401,189 or 6%. This is primarily a result of the decrease in project finance fees.

Other operating income decreased by \$243,508 or 36%. This is a result of a general decrease in income from recapture benefits during fiscal year 2015.

Total operating expenses decreased by \$1,452,976 or 23% due to the decrease in the management fee. This is a result of the assumption of some the Agency's bond transactions and related administrative costs by Build NYC, a local development corporation organized to assist entities in obtaining tax-exempt and taxable bond financing.

New York City Industrial Development Agency
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Management's Discussion and Analysis (continued)

June 30, 2015

Special project costs decreased by \$1,368,831 or 47% in fiscal year 2015 due to the completion of several projects during the fiscal year 2015, such as the Downtown Brooklyn Relocation Services project and the Illuminate Lower Manhattan project.

Fiscal Year 2014 Activities:

Fee income increased by \$2,203,018 or 48%. This is primarily a result of the increase in project finance fees collected from one transaction.

Other operating income decreased by \$1,742,066 or 72%. This is a result of a general decrease in income from recapture benefits during the year.

Total operating expenses decreased by \$64,806 in fiscal year 2014 or 1%. This is primarily a result of a decrease in public hearing expenses and consulting fees.

Special project costs decreased by \$4,406,936 or 60% in fiscal year 2014 due to the expiration of HELP, which was instated in fiscal year 2013 to support businesses affected by Superstorm Sandy.

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 Public Information Officer, New York City Economic Development Corporation, 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

	June 30	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents <i>(Note 3)</i>	\$ 3,047,805	\$ 19,831,760
Investments <i>(Note 3)</i>	39,777,421	14,188,370
Restricted cash <i>(Note 3)</i>	3,372,576	3,839,823
Fees receivable, net of allowance for doubtful accounts of \$7,055 and \$13,512, respectively	52,686	76,228
PILOT lease receivable, net <i>(Note 7)</i>	25,228,232	24,942,103
Total current assets	71,478,720	62,878,284
Non-current assets:		
Investments <i>(Note 3)</i>	7,603,929	16,259,683
Restricted cash and cash equivalents– stadia projects <i>(Note 3)</i>	64,531,786	61,300,369
Restricted investments – stadia projects <i>(Note 3)</i>	86,113,562	86,418,338
PILOT lease receivable, net <i>(Note 7)</i>	1,693,589,842	1,713,722,285
Total non-current assets	1,851,839,119	1,877,700,675
Total assets	1,923,317,839	1,940,578,959
Deferred outflows of resources		
Derivative instrument – interest rate swap <i>(Note 6)</i>	18,317,393	11,938,485
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	62,328	62,956
Due to New York City Economic Development Corporation	381,260	870,829
Bonds payable – current	25,228,232	24,942,103
Interest payable on bonds	120,569,941	109,952,059
Unearned revenues	324,506	367,164
Other liabilities	3,372,576	3,839,823
Total current liabilities	149,938,843	140,034,934
Non-current liabilities:		
Bonds payable, net <i>(Note 5)</i>	1,723,665,249	1,751,488,933
Derivative instrument – interest rate swap <i>(Note 6)</i>	18,317,393	11,938,485
Total non-current liabilities	1,741,982,642	1,763,427,418
Total liabilities	1,891,921,485	1,903,462,352
Net position – unrestricted	\$ 49,713,747	\$ 49,055,092

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

	Year Ended June 30	
	2015	2014
Operating revenues:		
Fee income <i>(Note 2)</i>	\$ 6,345,530	\$ 6,746,719
Recapture and other related benefits <i>(Note 2)</i>	394,425	634,335
Other income <i>(Note 2)</i>	35,284	38,882
Total operating revenues	6,775,239	7,419,936
Operating expenses:		
Management fees <i>(Note 4)</i>	4,552,117	6,052,117
Accounting fees	58,715	55,000
Consulting fees	5,072	23,023
Public hearing expenses	78,951	67,993
Marketing/advertising	4,870	11,713
Other expenses	65,584	8,439
Total operating expenses	4,765,309	6,218,285
Operating income	2,009,930	1,201,651
Non-operating revenues (expenses):		
Investment income	192,505	54,014
Special project costs <i>(Note 8)</i>	(1,543,780)	(2,912,611)
PILOT lease income	96,199,418	96,818,736
PILOT investment income	2,761,492	2,860,978
Bond interest expense	(98,960,910)	(99,679,714)
Total non-operating revenues (expenses)	(1,351,275)	(2,858,597)
Change in net position	658,655	(1,656,946)
Net position, unrestricted, beginning of year	49,055,092	50,712,038
Net position, unrestricted, end of year	\$ 49,713,747	\$ 49,055,092

See accompanying notes.

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

Statements of Cash Flows

	Year Ended June 30	
	2015	2014
Operating activities		
Financing and other fees	\$ 6,327,885	\$ 6,752,993
Other income	33,810	22,677
Management fees paid	(4,552,117)	(6,052,117)
Consulting fees paid	(21,293)	(37,130)
Accounting fees paid	(55,000)	(60,265)
Public hearing fees paid	(82,598)	(61,123)
Marketing fees paid	(5,260)	(14,409)
Miscellaneous expenses paid	(20,615)	(6,990)
Funds held pending compliance with agreements	-	662,276
Recapture benefits and other penalties received	3,745,360	4,620,652
Payment to NYC and other agencies of recaptured benefits	(3,818,305)	(3,881,183)
Refund of recapture benefits	-	(753,811)
Chase Energy Fund proceeds	31,252,820	-
Chase Energy Funds payment to NYC	(31,252,820)	-
Payment to EDC for contingency fees	(46,941)	-
Net cash provided by operating activities	1,504,926	1,191,570
Investing activities		
Sale of investments	175,196,318	380,271,041
Purchase of investments	(191,635,699)	(360,667,246)
Net receipts from investment agreement termination	424,239	3,142,752
Investment income	2,761,492	2,860,978
Interest income	3,492	5,564
Net cash (used in) provided by investing activities	(13,250,158)	25,613,089
Capital and related financing activities		
Interest payments on outstanding bonds	(84,086,781)	(84,438,953)
Bond principal redemption	(24,942,103)	(23,478,449)
Swap payments received	4,099,287	4,384,259
Swap payments made	(8,100,758)	(8,100,758)
Bond fees	(2,850,227)	(2,195,685)
PILOT revenue	115,621,492	115,051,440
Net cash (used in) provided by capital and related financing activities	(259,090)	1,221,854
Non-capital financing activities		
Special projects costs paid	(2,015,463)	(2,700,762)
Net cash used in non-capital financing activities	(2,015,463)	(2,700,762)
Net (decrease) increase in cash and cash equivalents	(14,019,785)	25,325,751
Cash and cash equivalents at beginning of year	84,971,952	59,646,201
Cash and cash equivalents at end of year	\$ 70,952,167	\$ 84,971,952

New York City Industrial Development Agency
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Statements of Cash Flows (continued)

	Year Ended June 30	
	2015	2014
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 2,009,930	\$ 1,201,651
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Fees receivable	23,542	(12,451)
Accounts payable and accrued expenses	(632)	(665)
Due to NYC Economic Development Corp.	(17,886)	(13,084)
Other liabilities	(467,370)	3,507
Unearned revenues	(42,658)	12,612
Net cash provided by operating activities	\$ 1,504,926	\$ 1,191,570
 Supplemental disclosures of non-cash activities:		
Unrealized loss on investments	\$ (253,034)	\$ (443,954)

See accompanying notes.

New York City Industrial Development Agency
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Notes to Financial Statements

June 30, 2015

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 of the City, 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 assists industrial, commercial and not-for-profit organizations 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 participating organizations (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. In addition, the Agency assists participants through “straight lease” structures. The straight lease provides tax benefits to the participants to incentivize the acquisition and capital improvement of their facilities. Whether the Agency issues IDBs or merely enters into a straight lease, 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.

The Agency is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financial assistance. Its membership is prescribed by statute and includes public officials 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 Corporation (“NYCEDC”), a not-for-profit corporation and a component unit of The City of New York, 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. These services include comprehensive financial management, processing and presentation of projects to the Board of Directors and project compliance monitoring.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

1. Background and Organization (continued)

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 concurrently conveys the project or other collateral to 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”). The Financing Lease includes a bargain purchase option, which allows the Beneficiary to repurchase the property for a nominal sum upon expiration of the Financing Lease and after satisfaction of all terms thereof.

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 Financing Lease to the Beneficiary. The IDBs are secured by a collateral interest in the Financing Lease, the Beneficiary’s project property and leases and, in certain circumstances, by guarantees from the Beneficiary or from its 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.

The total conduit debt obligations outstanding totaled \$5,549,307,200 and \$6,269,170,848 for the years ended June 30, 2015 and 2014, respectively.

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) since 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

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Notes to Financial Statements (continued)

1. Background and Organization (continued)

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 and as such have no financial impact on the Agency's overall financial position or results of operations and, accordingly, are given no accounting recognition in the accompanying financial statements.

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 2015, the Agency received \$31,252,820, as a balloon payment, from JPMorgan Chase to settle a mortgage note and interest relating to a land purchase for a site within the Brooklyn complex. The land was originally funded by the City through the Agency in 1990. The full amount of the balloon payment was remitted to the City shortly thereafter by the Agency. Because the Agency acted as a pass-through entity for these funds, this transaction had no impact on the Agency's operations. However, this amount is reflected in the Agency's statement of cash flows.

2. Summary of Significant Accounting Policies

Basis of Presentation

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 United States. In its accounting and financial reporting, the IDA follows the pronouncements of the GASB.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

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

Investments

All investments are carried at fair value based on quoted market prices, other than certificates of deposit, which are valued at cost.

Upcoming GASB Accounting Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (“GASB No.69”). This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Agency is currently evaluating the impact this standard will have on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (“GASB No.76”). The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (“GAAP”). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015. The Agency is currently evaluating the impact this standard will have on its financial statements.

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

Notes to Financial Statements (continued)

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 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 recorded as other liabilities until such time as they were disbursed to the City. For the year ended June 30, 2015, IDA remitted \$3,818,305 to the City and other agencies relating to these recapture benefits, of which \$2,442,087 was solely for the City. For the year ended June 30, 2014, IDA remitted \$3,881,183 to the City and other agencies relating to these recapture benefits, of which \$2,432,230 was solely 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.

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 \$3,002,582. Of this amount, \$250,000 was covered by the Federal Depository Insurance Corporation ("FDIC") and \$2,752,582 was collateralized with securities held by the pledging financial institution.

At year end, IDA's restricted bank balance, excluding the Stadia Projects, was \$3,366,577. Of this amount, \$585,117 was covered by the FDIC and \$2,731,460 was collateralized with securities held by the pledging financial institution. The remaining balance was uncollateralized at June 30, 2015.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

Investments

As of June 30, 2015 and 2014, the Agency had the following investments. Investments maturities are shown for June 30, 2015, only (in thousands).

	Fair Value		2015	
			Investment Maturities (In Years)	
	2015	2014	Less Than 1	1 to 2
Money Market & Mutual Funds	\$ 101	\$ 16,847	\$ 101	\$ –
Federal National Mort. Assn. Notes	8,710	8,806	8,710	–
Federal Home Loan Mort. Corp. Notes	9,626	7,202	3,949	5,677
Federal Home Loan Bank Notes	8,073	9,903	8,073	–
Federal Farm Credit Bank	5,004	–	5,004	–
Certificates of Deposit	15,969	1,537	14,042	1,927
Commercial Paper	–	3,000	–	–
Restricted cash equivalents – stadia projects	45,403	42,199	45,403	–
Restricted investments – stadia projects	86,113	86,418	20,150	65,963
Total	178,999	175,912	\$ 105,432	\$ 73,567
Less: cash equivalents & restricted cash equivalents/ investments	(131,618)	(145,464)		
Total unrestricted investments	\$ 47,381	\$ 30,448		

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 (money market). All investments are either FDIC 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.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

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, 2015, the Agency's investments in Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Investments in commercial paper were rated in the highest short-term category by two major rating agencies (A-1+ by Standard & Poor's, and P-1 by Moody's). Money market and mutual funds are not rated.

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 and are not registered in the name of the Agency.

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

Concentration of Credit Risk: The Agency places no limit on the amount the Agency may invest in any one issuer. The following table shows investments that represent 5% or more of total investments (dollars in thousands):

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2015		June 30, 2014	
Federal Home Loan Mortgage Corp. \$	9,626	20.32%	\$ 7,202	23.65%
Federal Home Mortgage Assn.	8,710	18.38	8,806	28.92
Federal Home Loan Bank	8,073	17.04	9,903	32.52
Federal Farm Credit Bank	5,004	10.56	-	-
G.E. Capital Corp.	-	-	3,000	9.85

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

Restricted Cash, Cash Equivalents, and Investments – 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 made under the direction of the Agency. Under the bond agreements, the Agency does not have any obligation to make further contributions to the Stadium Construction Funds. 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.

4. Management Fees and Other Charges

To support the activities of the Board of Directors, 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. These services include comprehensive financial management, processing and presentation of projects to the Board of Directors, and project compliance monitoring.

The fixed annual fee for these services is based on an agreement between NYCEDC and the Agency. Such fees amounted to \$4,552,117 and \$6,052,117 for the years ended June 30, 2015 and 2014, respectively. The decrease in the management fee is a result of the assumption of some the Agency's bond transactions and related administrative costs by Build NYC, a local development corporation organized to assist entities in obtaining tax-exempt and taxable bond financing.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

5. Bonds Payable

The changes in outstanding Series 2006 and Series 2009 Tax Exempt PILOT Bonds for the years ended June 30, 2015 and 2014 are summarized as follows (in thousands):

2015:

Description	Bonds Outstanding June 30, 2014	New Bond Issuances	Matured/ Called/ Redeemed	Bonds Outstanding June 30, 2015	Amount Due Within One Year
Queens Baseball Stadium Project:					
Series 2006 PILOT Bonds, 3.6% to 5%, due 2046	\$ 518,260	\$ -	\$ 6,705	\$ 511,555	\$ 7,015
Series 2009 PILOT Bonds, 4.0% to 6.50%, due 2046	78,810	-	810	78,000	850
Yankee Stadium Project:					
Series 2006 PILOT Revenue Bonds, 3.6% to 5%, due 2046	676,260	-	13,590	662,670	-
Series 2006 CPI Bonds, 3.2% to 3.5%, due 2027	198,120	-	-	198,120	13,135
Series 2009 Capital Appreciation Bonds, 4.03% to 7.90%, due 2047	57,323	-	3,837	53,486	4,228
Series 2009 Current Interest Term Bonds, 7.00%, due 2049	191,960	-	-	191,960	-
Total	1,720,733	\$ -	\$ 24,942	1,695,791	\$ 25,228
Net premium (discount)	55,698			53,102	
Bonds payable, net	<u>\$ 1,776,431</u>			<u>\$ 1,748,893</u>	

2014:

Description	Bonds Outstanding June 30, 2013	New Bond Issuances	Matured/ Called/ Redeemed	Bonds Outstanding June 30, 2014	Amount Due Within One Year
Queens Baseball Stadium Project:					
Series 2006 PILOT Bonds, 3.6% to 5%, due 2046	\$ 524,640	\$ -	\$ 6,380	\$ 518,260	\$ 6,705
Series 2009 PILOT Bonds, 4.0% to 6.50%, due 2046	79,585	-	775	78,810	810
Yankee Stadium Project:					
Series 2006 PILOT Revenue Bonds, 3.6% to 5%, due 2046	689,230	-	12,970	676,260	13,590
Series 2006 CPI Bonds, 3.2% to 3.5%, due 2027	198,120	-	-	198,120	-
Series 2009 Capital Appreciation Bonds, 4.03% to 7.90%, due 2047	60,676	-	3,353	57,323	3,837
Series 2009 Current Interest Term Bonds, 7.00%, due 2049	191,960	-	-	191,960	-
Total	1,744,211	\$ -	\$ 23,478	1,720,733	\$ 24,942
Net premium (discount)	58,327			55,698	
Bonds payable, net	<u>\$ 1,802,538</u>			<u>\$ 1,776,431</u>	

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

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 \$547,355,000 (the “PILOT Bonds”) for the purpose of financing the design, development, acquisition, construction, and equipping 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 \$20,632,088 is being amortized over the life of the Series 2006 bonds.

At June 30, 2015 and 2014, \$511,555,000 and \$518,260,000, 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 Tax Exempt PILOT Bonds (Queens Baseball Stadium Project) Series 2009 in the amount of \$82,280,000 (the “PILOT Bonds”) for the purpose of financing the completion 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”) (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 \$1,212,774 is being amortized over the life of the Series 2009 bonds.

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Notes to Financial Statements (continued)

5. Bonds Payable (continued)

At June 30, 2015 and 2014, \$78,000,000 and \$78,810,000, 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 \$942,555,000, which consist of the PILOT Revenue Bonds and the CPI Bonds in the amount of \$744,435,000 and \$198,120,000, 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 \$23,613,578 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 rate for the years ended June 30, 2015 and 2014, was 4.07%. The average CPI Swap interest rates for the years ended June 30, 2015 and 2014, were 1.88% and 2.28%, respectively.

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Notes to Financial Statements (continued)

5. Bonds Payable (continued)

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, 2015 and 2014, \$860,790,000 and \$874,380,000, 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 \$258,999,945, which consist of the PILOT Capital Appreciation Bonds and the PILOT Current Interest Term Bonds in the amount of \$67,039,945 and \$191,960,000, respectively, for the purpose of completion 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 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 \$31,279,722 is being amortized over the life of the Series 2009 bonds.

At June 30, 2015 and 2014, \$245,446,219 and \$249,283,322, 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.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

5. Bonds Payable (continued)

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 25,228	\$ 97,280	\$ 122,508
2017	26,408	95,980	122,388
2018	27,105	94,387	121,492
2019	27,744	92,744	120,488
2020	28,462	91,066	119,528
2021–2025	156,451	428,872	585,323
2026–2030	189,206	378,744	567,950
2031–2035	238,957	316,249	555,206
2036–2040	304,707	241,234	545,941
2041–2045	389,952	149,229	539,181
2046–2049	281,571	40,359	321,930
Total	<u>\$ 1,695,791</u>	<u>\$ 2,026,144</u>	<u>\$ 3,721,935</u>

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

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, 2015. 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 variable rate on June 30, 2015, remains constant over the life of the bonds (in thousands):

Year Ended June 30	CPI Bonds		Fixed		Total
	Principal Maturities	CPI Interest	Interest Rate Swaps, Net		
2016	\$ 13,135	\$ 1,197	\$ 6,735	\$ 21,067	
2017	13,650	1,155	6,438	21,243	
2018	14,195	1,087	5,971	21,253	
2019	14,765	1,012	5,484	21,261	
2020	15,360	929	4,975	21,264	
2021–2025	86,910	3,133	16,415	106,458	
2026–2027	40,105	416	2,130	42,651	
Total	\$ 198,120	\$ 8,929	\$ 48,148	\$ 255,197	

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 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.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

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 \$18.3 million and \$11.9 million at June 30, 2015 and 2014, 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 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.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

6. Derivative Instruments (continued)

The following table displays the terms of the Agency's hedging derivative instruments outstanding at June 30, 2015:

Trade Reference #	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Counterparty ***
nuus6085p	8/22/2006	3/1/2016	3.860%	CPI Rate**	Goldman Sachs Bank USA
nuus6085q	8/22/2006	3/1/2017	3.920	CPI Rate**	Goldman Sachs Bank USA
nuus6085r	8/22/2006	3/1/2018	3.960	CPI Rate**	Goldman Sachs Bank USA
nuus6085s	8/22/2006	3/1/2019	4.010	CPI Rate**	Goldman Sachs Bank USA
nuus6085t	8/22/2006	3/1/2020	4.050	CPI Rate**	Goldman Sachs Bank USA
nuus6085u	8/22/2006	3/1/2021	4.090	CPI Rate**	Goldman Sachs Bank USA
nuus6085v	8/22/2006	3/1/2022	4.120	CPI Rate**	Goldman Sachs Bank USA
nuus6085w	8/22/2006	3/1/2023	4.140	CPI Rate**	Goldman Sachs Bank USA
nuus6085x	8/22/2006	3/1/2024	4.160	CPI Rate**	Goldman Sachs Bank USA
nuus6085y	8/22/2006	3/1/2025	4.180	CPI Rate**	Goldman Sachs Bank USA
nuus6085z	8/22/2006	3/1/2026	4.190	CPI Rate**	Goldman Sachs Bank USA
nuus6086	8/22/2006	3/1/2027	4.210	CPI Rate**	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.

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Notes to Financial Statements (continued)

6. Derivative Instruments (continued)

The fair value balance and notional amounts of derivative instruments outstanding, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2015 financial statements are as follows (in thousands):

	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2015</u>		<u>Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Cash flow hedges					
Pay fixed swaps:					
nuus6085p	Deferred inflow of resources	\$ (56)	Debt	\$ (409)	\$ 13,135
nuus6085q	Deferred inflow of resources	(146)	Debt	(646)	13,650
nuus6085r	Deferred inflow of resources	(222)	Debt	(855)	14,195
nuus6085s	Deferred inflow of resources	(297)	Debt	(1,065)	14,765
nuus6085t	Deferred inflow of resources	(382)	Debt	(1,261)	15,360
nuus6085u	Deferred inflow of resources	(469)	Debt	(1,452)	15,995
nuus6085v	Deferred inflow of resources	(558)	Debt	(1,642)	16,655
nuus6085w	Deferred inflow of resources	(647)	Debt	(1,826)	17,350
nuus6085x	Deferred inflow of resources	(748)	Debt	(2,017)	18,075
nuus6085y	Deferred inflow of resources	(843)	Debt	(2,200)	18,835
nuus6085z	Deferred inflow of resources	(947)	Debt	(2,369)	19,630
nuus6086	Deferred inflow of resources	(1,063)	Debt	(2,575)	20,475
		<u>\$ (6,378)</u>		<u>\$ (18,317)</u>	

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, 2015, 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.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

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, 2015, remains constant over the life of the leases.

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Notes to Financial Statements (continued)

7. PILOT Lease Receivable, Net (continued)

At June 30, 2015 and 2014, the outstanding leases and the receivable amount were as follows:

	2015	2014
Queens Stadium Project, through 2046	\$ 1,161,835,568	\$ 1,203,573,648
Yankee Baseball Stadium Project, through 2049	2,438,516,393	2,513,090,772
Aggregate lease receivable – gross	3,600,351,961	3,716,664,420
Less: deferred interest	(1,881,533,887)	(1,978,000,032)
Aggregate lease receivable – net	\$ 1,718,818,074	\$ 1,738,664,388

The aggregate lease receipts due through 2020 and thereafter are as follows:

	Queens Stadium	Yankee Stadium	Total
2016	\$ 43,900,000	\$ 82,186,202	\$ 126,086,202
2017	43,900,000	83,831,196	127,731,196
2018	43,900,000	84,235,529	128,135,529
2019	43,950,000	84,237,081	128,187,081
2020	44,000,000	84,233,122	128,233,122
2021–2025	220,300,000	321,177,761	541,477,761
2026–2030	221,300,000	321,173,360	542,473,360
2031–2035	222,550,000	321,179,380	543,729,380
2036–2040	224,300,000	321,177,580	545,477,580
2041–2045	226,350,000	358,918,900	585,268,900
2046–2050	22,800,000	331,397,198	354,197,198
	1,357,250,000	2,393,747,309	3,750,997,309
Less restricted cash, cash equivalents, and investments, related to stadia projects			(150,645,348)
			\$ 3,600,351,961

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Notes to Financial Statements (continued)

7. PILOT Lease Receivable, Net (continued)

Lease payment receivable activity for the years ended June 30, 2015 and 2014, was as follows:

	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015
Gross receivable	\$ 3,716,664,420	\$ –	\$ (116,312,459)	\$ 3,600,351,961
Less: deferred interest	1,978,000,032	–	(96,466,145)	1,881,533,887
Net receivable	<u>\$ 1,738,664,388</u>	<u>\$ –</u>	<u>\$ (19,846,314)</u>	<u>\$ 1,718,818,074</u>

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014
Gross receivable	\$ 3,835,376,965	\$ –	\$ (118,712,545)	\$ 3,716,664,420
Less: deferred interest	2,075,337,121	–	(97,337,089)	1,978,000,032
Net receivable	<u>\$ 1,760,039,844</u>	<u>\$ –</u>	<u>\$ (21,375,456)</u>	<u>\$ 1,738,664,388</u>

8. Commitments

Pursuant to various approved agreements between IDA and NYCEDC, IDA was committed to fund 35 projects being performed by NYCEDC related to the City’s commerce and industrial development (the “Project Commitments”). Total Project Commitments under these agreements amounted to approximately \$24.2 million with an outstanding obligation at June 30, 2015, of approximately \$10.4 million. The Project Commitments, related approval dates, original and outstanding commitment balances are as follows:

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Notes to Financial Statements (continued)

Project	Approval Date	Total Commitment	Total Expenditures	Current Total De-Obligate	Outstanding Commitment
Downtown Brooklyn Relocation Services	06/10/03	\$ 650,000	\$ 296,558	\$ 353,442	\$ –
Hunts Point Peninsula/Vision Plan	07/29/03	795,000	730,788	–	64,212
Hunts Point Produce Market	10/11/05	350,000	318,010	31,990	–
Willetts Point Development Strategy	03/13/07	3,954,000	3,485,851	–	468,149
Hunts Point Food Distribution Center, Development Feasibility Studies	12/11/07	700,000	474,819	–	225,181
Harbor District Ferry Service Feasibility and Branding Initiative	03/11/09	590,058	535,848	54,210	–
Hunts Point Freight Rail and Anaerobic Digestion Study	09/15/09	131,705	81,705	50,000	–
Seward Park Development Project Engineering and Cost Analysis	12/14/10	500,000	387,896	112,104	–
Immigrant Entrepreneur Business Development Demonstration Program	04/12/11	600,000	391,643	–	208,357
Seward Park Mixed-Use Development Project	04/12/11	1,300,000	1,235,348	64,652	–
Lower Manhattan Business Expansion Competition	07/26/11	950,000	429,966	–	520,034
Harlem Incubator	02/14/12	500,000	214,600	–	285,400
Industrial Business Improvements Districts Development	04/10/12	300,000	280,999	19,001	–
Queens Kitchen Incubator	04/10/12	75,000	75,000	–	–
Illuminate Lower Manhattan	09/20/12	1,000,000	406,400	593,600	–
Open Industrial Uses Study	09/20/12	137,500	51,126	86,374	–
Artist as Entrepreneur	01/08/13	10,000	–	10,000	–
NYC Generation Tech	01/08/13	100,000	94,000	–	6,000
New York's Next Top Makers	01/08/13	930,000	478,988	–	451,012
City Wide Ferry Study & Environmental Assessment Services	02/13/13	600,000	568,738	–	31,262
MARSHES	02/13/13	500,000	500,000	–	–
Oil & Gas Supply Chain Study	02/13/13	60,000	25,000	–	35,000
Staten Island Incubator	04/09/13	250,000	162,000	–	88,000
LINK: Progress Networks	06/11/13	270,000	157,190	–	112,810
LINK: Fast Track Entrepreneurship Program	06/11/13	930,000	335,040	–	594,960
Industrial Growth Initiative – Phase III	07/23/13	300,000	300,000	–	–
Downtown Jamaica Workspace	12/10/13	250,000	–	–	250,000
Air Cargo Market Analysis and Strategic Plan	01/14/14	250,000	118,734	–	131,266
Vertical Factory Design Competition	02/11/14	350,000	–	–	350,000
1000 Industrial Business Survey	03/11/14	90,000	85,700	4,300	–
Freight Investment Blueprint	04/08/14	500,000	–	–	500,000
Industrial Growth Initiative – Phase IV	01/13/15	310,000	232,708	–	77,292
Living Lab Network – Phase I	04/14/15	600,000	–	–	600,000
Advanced Manufacturing Network & Centers	05/12/15	1,000,000	–	–	1,000,000
Workforce1 Industrial & Transportation Career Center Satellites	06/09/15	4,400,000	–	–	4,400,000
		<u>\$ 24,233,263</u>	<u>\$ 12,454,655</u>	<u>\$ 1,379,673</u>	<u>\$ 10,398,935</u>

For the years ended June 30, 2015 and 2014, \$1,543,780 and \$2,912,611, 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. Of such amounts, \$381,260 and \$853,586 remained unpaid as of June 30, 2015 and 2014, respectively, and are included in Due to NYCEDC on the accompanying statements of net position.

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Notes to Financial Statements (continued)

9. Contingencies

IDA, and in certain situations as co-defendant with the City and/or NYCEDC, is involved in personal injury, environmental claims, property damage, breach of contract 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 matters 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; errors and omissions; 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
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Combining Statement of Net Position

	Unrestricted	Restricted		Total Restricted	Year Ended June 30	
		Queens Baseball Stadium Project	Yankee Baseball Stadium Project		2015	2014
Assets						
Current assets:						
Cash and cash equivalents	\$ 3,047,805	\$ -	\$ -	\$ -	\$ 3,047,805	\$ 19,831,760
Investments	39,777,421	-	-	-	39,777,421	14,188,370
Restricted cash	3,372,576	-	-	-	3,372,576	3,839,823
Fees receivable, net of allowance for doubtful accounts of \$7,055 and \$13,512, respectively	52,686	-	-	-	52,686	76,228
PILOT lease receivable	-	7,865,000	17,363,232	25,228,232	25,228,232	24,942,103
Total current assets	46,250,488	7,865,000	17,363,232	25,228,232	71,478,720	62,878,284
Non-current assets:						
Investments	7,603,929	-	-	-	7,603,929	16,259,683
Restricted cash and cash equivalents – stadia projects	-	43,549,215	20,982,571	64,531,786	64,531,786	61,300,369
Restricted investments – stadia projects	-	-	86,113,562	86,113,562	86,113,562	86,418,338
PILOT lease receivable	-	566,292,159	1,127,297,683	1,693,589,842	1,693,589,842	1,713,722,285
Total non-current assets	7,603,929	609,841,374	1,234,393,816	1,844,235,190	1,851,839,119	1,877,700,675
Total assets	53,854,417	617,706,374	1,251,757,048	1,869,463,422	1,923,317,839	1,940,578,959
Deferred outflows of resources						
Derivative instruments – interest rate swap	-	-	18,317,393	18,317,393	18,317,393	11,938,485
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	62,328	-	-	-	62,328	62,956
Due to New York City Economic Development Corporation	381,260	-	-	-	381,260	870,829
Bonds payable – current	-	7,865,000	17,363,232	25,228,232	25,228,232	24,942,103
Interest payable on bonds	-	15,111,053	105,458,888	120,569,941	120,569,941	109,952,059
Unearned revenues	324,506	-	-	-	324,506	367,164
Other liabilities	3,372,576	-	-	-	3,372,576	3,839,823
Total current liabilities	4,140,670	22,976,053	122,822,120	145,798,173	149,938,843	140,034,934
Non-current liabilities:						
Bonds payable, net	-	594,730,321	1,128,934,928	1,723,665,249	1,723,665,249	1,751,488,933
Derivative instruments – interest rate swap	-	-	18,317,393	18,317,393	18,317,393	11,938,485
Total non-current liabilities	-	594,730,321	1,147,252,321	1,741,982,642	1,741,982,642	1,763,427,418
Total liabilities	4,140,670	617,706,374	1,270,074,441	1,887,780,815	1,891,921,485	1,903,462,352
Net Position						
Unrestricted	\$ 49,713,747	\$ -	\$ -	\$ -	\$ 49,713,747	\$ 49,055,092

II. Government Auditing Standards Section

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, 2015, 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 28, 2015.

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 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 28, 2015

