

FINANCIAL STATEMENTS

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

NYCLDC

New York City Land Development Corporation
(A Component Unit of The City of New York)

Financial Statements and Required Supplementary Information

Years Ended June 30, 2015 and 2014

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I. Financial Section



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Report of Independent Auditors

The Management and the Board of Directors
New York City Land Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of New York City Land Development Corporation (NYCLDC), 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 NYCLDC'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

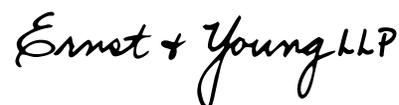
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYCLDC as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated September 30, 2015, on our consideration of the NYCLDC'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 NYCLDC's internal control over financial reporting and compliance.



September 30, 2015

New York City Land Development Corporation
(A Component Unit of The City of New York)

Management's Discussion and Analysis

June 30, 2015

This section of New York City Land Development Corporation's ("NYCLDC" or the "Corporation") annual financial report presents our discussion and analysis of NYCLDC's financial performance during the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the financial statements and accompanying notes.

Overview of the Financial Statements

This annual financial report consists of two parts: *management's discussion and analysis* (this section) and *basic financial statements and footnote disclosures*. NYCLDC is a local development corporation organized pursuant to section 1411 of the Not-for-Profit Corporation Law of the State of New York. NYCLDC is also a discretely presented component unit of The City of New York ("The City"). NYCLDC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the Corporation.

These statements are presented in a manner similar to a private business, such as a property management company.

Financial Analysis of the Corporation

Net position

The following table summarizes NYCLDC's financial position at June 30, 2015, 2014 and 2013 and the percentage change between June 30, 2015 and 2014:

| | 2015 | 2014 | 2013 | % Change 2015-2014 |
|---------------------------|-------------|-------------|-------------|-------------------------------|
| Total assets | \$ 25,022 | \$ 24,594 | \$ 22,505 | 2% |
| Total liabilities | 20,023 | 19,595 | 17,506 | 2 |
| Unrestricted net position | \$ 4,999 | \$ 4,999 | \$ 4,999 | - |

New York City Land Development Corporation
(A Component Unit of The City of New York)

Management's Discussion and Analysis (continued)

At June 30, 2015 and 2014, total assets were \$25,022 and \$24,594, respectively. The overall change in assets was due to a grant agreement between the Corporation and New York City Economic Development Corporation ("NYCEDC"). The grant agreement provides NYCLDC with the necessary funding for its annual general and administrative expenses. As of June 30, 2015, the assets of the Corporation consisted of cash and a receivable balance from NYCEDC for the grant.

Total liabilities at June 30, 2015 and 2014, were \$20,023 and \$19,595, respectively, which consists primarily of audit fees.

Net position at June 30, 2015 and 2014, remains unchanged at \$4,999.

Operating Activities

NYCLDC is engaged in economic development by means of assisting The City with leasing and selling certain properties. The Corporation encourages economic growth throughout the five boroughs of The City by acquiring City-owned property and disposing of it to strengthen The City's competitive position and facilitate investments that build capacity, generate economic opportunity and improve the quality of life.

The following table summarizes NYCLDC's change in net position for the fiscal years ended June 30, 2015 and 2014 and the percentage changes between June 30, 2015 and 2014:

| | 2015 | 2014 | % Change 2015-2014 |
|---------------------------------------|-------------|-------------|-------------------------------|
| Operating revenues | \$ 20,010 | \$ 19,589 | 2% |
| Operating expenses | 20,010 | 19,589 | 2 |
| Operating income | - | - | - |
| Non-operating revenues | 4 | 3 | 33% |
| Non-operating expenses | (4) | (3) | (33)% |
| Total non-operating income | - | - | - |
| Change in net position | | | |
| Total net position, beginning of year | 4,999 | 4,999 | - |
| Total net position, end of year | \$ 4,999 | \$ 4,999 | - |

New York City Land Development Corporation
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Management's Discussion and Analysis (continued)

Operating Activities (continued)

Operating revenues for the fiscal year ended June 30, 2015, were \$20,010, primarily due to a grant from NYCEDC. The grant allows NYCLDC to meet its current general and administrative expense obligations. The Corporation also closed on three (3) real estate sales transactions and leased two (2) City-owned properties in which it purchased or leased property from The City in compliance with section 384(b)(4) of the City Charter. Under the City Charter, land is purchased for a nominal fee. The purchased properties were then sold for the same nominal fee to NYCEDC, which then re-sold the properties to private parties. The aggregate nominal fee exchanged for both purchasing and selling the land amounted to \$3. City-owned properties leased by the Corporation were then subleased to private parties at the direction of NYCEDC. NYCLDC does not pay or receive any fees related to these leased properties.

Operating expenses mainly included \$20,007 of fees related to audit services.

Correspondingly, no operating income was recognized for the year ended June 30, 2015.

Contacting the Corporation's Financial Management

This financial report is designed to provide our customers, clients and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation'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 Land Development Corporation, 110 William Street, New York, NY 10038.

New York City Land Development Corporation
(A Component Unit of The City of New York)

Statements of Net Position

| | June 30 | |
|---------------------------------------|-----------------|-----------------|
| | 2015 | 2014 |
| Current assets | | |
| Cash | \$ 4,990 | \$ 5,013 |
| Due from NYCEDC | 20,032 | 19,581 |
| Total current assets | <u>25,022</u> | <u>24,594</u> |
| Liabilities and net position | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 20,007 | 19,582 |
| Due to the City | 16 | 13 |
| Total current liabilities | <u>20,023</u> | <u>19,595</u> |
| Unrestricted net position | <u>\$ 4,999</u> | <u>\$ 4,999</u> |

See accompanying notes.

New York City Land Development Corporation
(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: | | |
| Grant | \$ 20,007 | \$ 19,582 |
| Real estate sales | 3 | 7 |
| Total operating revenues | 20,010 | 19,589 |
| Operating expenses: | | |
| Cost of property sold | 3 | 7 |
| Auditing fees | 20,007 | 19,555 |
| Miscellaneous expenses | - | 27 |
| Total operating expenses | 20,010 | 19,589 |
| Operating income | - | - |
| Non-operating revenues (expenses): | | |
| Interest income | 4 | 3 |
| Other expense | (4) | (3) |
| Total non-operating revenues (expenses) | - | - |
| Change in net position | - | - |
| Unrestricted net position, beginning of year | 4,999 | 4,999 |
| Unrestricted net position, end of year | \$ 4,999 | \$ 4,999 |

See accompanying notes.

New York City Land Development Corporation
(A Component Unit of The City of New York)

Statements of Cash Flows

| | Year Ended June 30 | |
|--|---------------------------|-------------|
| | 2015 | 2014 |
| Cash flows from operating activities | | |
| Grant receipts | \$ 19,556 | \$ 22,506 |
| Real estate sales | – | 7 |
| Audit fees | (19,555) | (17,500) |
| Miscellaneous expenses | (24) | – |
| Net cash (used in) provided by operating activities | (23) | 5,013 |
| Cash flow from investing activities | | |
| Interest income | 4 | 3 |
| Other expense | (4) | (3) |
| Net cash provided by investing activities | – | – |
| Net change in cash and cash equivalents | (23) | 5,013 |
| Cash and cash equivalents, beginning of year | 5,013 | – |
| Cash and cash equivalents, end of year | \$ 4,990 | \$ 5,013 |
| Reconciliation of operating income to net cash (used in) provided by operating activities | | |
| Operating income | \$ – | \$ – |
| Adjustments to reconcile operating income to net cash (used in) provided by operating activities: | | |
| Changes in operating assets and liabilities: | | |
| Accounts payable and accrued expenses | 425 | 2,082 |
| Due to the City | 3 | 7 |
| Due from NYCEDC | (451) | 2,924 |
| Net cash (used in) provided by operating activities | \$ (23) | \$ 5,013 |

See accompanying notes.

New York City Land Development Corporation
(A Component Unit of The City of New York)

Notes to Financial Statements

June 30, 2015

1. Background and Organization

The accompanying financial statements include the assets, liabilities, net position and the financial activities of the New York City Land Development Corporation (“NYCLDC” or the “Corporation”).

On May 8, 2012, the City of New York (“The City”) formed New York City Land Development Corporation. NYCLDC is a Local Development Corporation organized pursuant to section 1411 of the Not-for-Profit Law of the State of New York (the “State”). NYCLDC is engaged in economic development activities by means of assisting The City with leasing and selling certain properties. As a local development corporation, NYCLDC is able to acquire or lease City-owned property outside of the auction process as provided by section 384(b)(4) of the City Charter. The mission of NYCLDC is to encourage economic growth throughout the five boroughs of The City by acquiring City-owned property and disposing of it to strengthen The City’s competitive position and facilitate investments that build capacity, generate economic opportunity and improve the quality of life.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

NYCLDC follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. In its accounting and financial reporting, the Corporation follows the pronouncements of the Governmental Accounting Standards Board (“GASB”).

Upcoming Accounting Pronouncements

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. NYCEDC is currently evaluating the impact this standard will have on its financial statements.

New York City Land Development Corporation
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Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue and Expense Classification

NYCLDC distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses are those that directly relate to the organization fulfilling its mission statement and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is NYCLDC's policy to use restricted resources first, and then unrestricted resources as needed.

Tax Status

The income of NYCLDC is exempt from federal income taxes under section 115 of the U.S. Internal Revenue Code (the "Code").

Other Related-Party Transactions – New York City Economic Development Corporation

New York City Economic Development Corporation ("NYCEDC") provides NYCLDC with grant funding for its general and administrative expenses. The Corporation does not have any employees. Administrative services are provided to the Corporation by NYCEDC pursuant to a services agreement and no management fees are charged for these services.

New York City Land Development Corporation
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Notes to Financial Statements (continued)

3. Contract With The City of New York

NYCLDC has a contract with The City covering the sale and lease of City-owned land to NYCLDC. The contract provides that when The City sells or leases City-owned land to NYCLDC, NYCLDC must dispose of such land to NYCEDC or at the direction of NYCEDC.

During the year ended June 30, 2015, the Corporation closed on three (3) real estate sales transactions and leased two (2) City-owned properties which were obtained from The City in compliance with section 384(b)(4) of the City Charter, for a nominal fee. The purchased properties were then sold for the same nominal fee to NYCEDC, which then re-sold the land to private parties. The aggregate nominal fee exchanged for both purchasing and selling the land amounted to \$3. City-owned properties leased by the Corporation were then subleased to private parties at the direction of NYCEDC. NYCLDC does not pay or receive any fees for leased property.

4. Grants

NYCLDC received operating grants from NYCEDC during the year ended June 30, 2015. Grant revenues in the amount of \$20,007 were provided to offset the Corporation's annual operating expenses and were recorded as operating revenue.

5. Cash

The bank balance was \$4,990 as of June 30, 2015. The full balance was covered by federal depository insurance.

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 Financial Statements Performed in Accordance With *Government Auditing Standards*

The Management and the Board of Directors
New York City Land Development Corporation

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 New York City Land Development Corporation (NYCLDC), 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 and 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, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NYCLDC'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 NYCLDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the NYCLDC'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 NYCLDC'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 30, 2015

