Financial Statements, Required Supplementary Information and Supplementary Information

New York City Economic Development Corporation
(a component unit of The City of New York)
Years Ended June 30, 2013 and 2012 (Predecessor)
With Report of Independent Auditors

Ernst & Young LLP

Ernst & Young

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(a component unit of The City of New York)

Financial Statements, Required Supplementary Information
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Years Ended June 30, 2013 and 2012 (Predecessor)

Contents

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Report of Independent Auditors

Management and the Board of Directors
New York City Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of New York City Economic Development Corporation ("NYCEDC"), a component unit of The City of New York, as of and for the years ended June 30, 2013 and 2012 (Predecessor), and the related notes to the financial statements, which collectively comprise the NYCEDC'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 NYCEDC as of June 30, 2013 and 2012 (Predecessor) , 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 and schedule of funding progress, 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NYCEDC's basic financial statements. The combining statement of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of revenues, expenses and changes in 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 revenues, expenses and changes in 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 30, 2013 on our consideration of the NYCEDC'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 NYCEDC's internal control over financial reporting and compliance.

Ernst + Young LLP

September 30, 2013

New York City Economic Development Corporation
(a component unit of The City of New York)

Management's Discussion and Analysis

June 30, 2013 and 2012 (Predecessor)

This section of New York City Economic Development Corporation's annual financial report presents our discussion and analysis of NYCEDC's financial performance during the fiscal years ended June 30, 2013 and 2012. Please read it in conjunction with the financial statements and accompanying notes. As more fully described in FootNote 1, Background and Organization, the corporate entity was formed on November 1, 2012 through the merger of New York City Economic Development Corporation ("Predecessor NYCEDC") with and into New York City Growth Corporation ("EGC"). Subsequently, EGC's name was changed to the New York City Economic Development Corporation ("NYCEDC" or "Successor NYCEDC" or the "Corporation").

This financial report represents Successor NYCEDC's statement of net position, statement of revenue, expenses and changes in net assets, and the statement of cash flows after its legal restructuring as of and for the year ended June 30, 2013. The financial statements as of and for the year ended June 30, 2013 of Successor NYCEDC will be presented comparatively with the financial statements of Predecessor NYCEDC as of and for the year ended June 30, 2012.

Fiscal Year 2013 Financial Highlights

- Reimbursable grants increased $114 million (or 23%)
- Property rentals increased $31 million (or 22%)
- Other income decreased $18 million (or 45%)
- Program & project costs increased $124 million (or 25%)
- Contract and other expenses to The City increased $25 million (or 25%)
- Cash, cash equivalents and investments increased $58 million (or 13%)
- Due from The City, net increased $97 million (or 55%)
- Accounts payable and accrued expenses increased $70 million (or 45%)
- Deposits received on pending sales of real estate increased $16 million (or 188%)
- Unearned revenue increased $50 million (or 23%)
- Retainage payable increased $11 million (or 34%)

Overview of the Financial Statements

This annual financial report consists of four parts: *management's discussion and analysis* (this section), *basic financial statements*, *required supplementary information* and *supplementary information*. NYCEDC is a not-for-profit organization pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York. NYCEDC is also a discretely presented component unit of The City of New York ("The City"). NYCEDC 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. While detailed sub-fund information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that NYCEDC is properly performing its contractual obligations.

Financial Analysis of the Corporation

Net Position

The following table summarizes NYCEDC's financial position at June 30, 2013, and Predecessor NYCEDC's financial position at June 30, 2012 and 2011 (dollars in thousands) and the percentage changes between June 30, 2013 and June 30, 2012:

	Successor NYCEDC 2013	Predecessor NYCEDC 2012	Predecessor NYCEDC 2011	% Change 2013 – 2012
Current assets	**$ 670,583**	$ 566,461	$ 568,512	18%
Noncurrent assets	**377,876**	340,562	222,943	11%
Total assets	**$ 1,048,459**	$ 907,023	$ 791,455	16%
Current liabilities	**$ 298,786**	$ 214,675	$ 204,136	39%
Noncurrent liabilities	**425,670**	364,887	275,953	17%
Total liabilities	**$ 724,456**	$ 579,562	$ 480,089	25%
Net position:				
Restricted	**$ 94,275**	$ 91,707	$ 85,135	3%
Unrestricted	**215,113**	225,231	221,929	(4)%
Net investment in capital assets	**14,615**	10,523	4,302	39%
Total net position	**$ 324,003**	$ 327,461	$ 311,366	(1)%

Financial Analysis of the Corporation (continued)

Net Position (continued)

During fiscal year 2013, total assets increased $141 million or 16% primarily due to a $90 million increase in amounts "Due from The City" and a $58 million increase in cash and investments. The increase in amounts "Due from The City" was largely driven by the following capital projects: $25 million for Cornell/Technion NYC Tech Campus, $19 million for the Whitney Museum of American Art, and $9 million for the Loew's Kings Theater. Additionally, NYCEDC incurred $15 million of expenses related to Superstorm Sandy remediation work reimbursable by the City. The increase in cash, cash equivalents, and investments was a result of advance payments of $34 million from third party donors relating to the development of the third and final phase of the High Line Park and rent prepayment received in the amount of $17 million from Albee Development.

Total liabilities increased $145 million or 25% primarily due to a $70 million increase in accounts payable and accrued expenses, $50 million increase in unearned revenue, $16 million increase in deposits received on pending real estate sales, and $10 million increase in retainage payable. The increases in accounts payable and accrued expenses is largely driven by increased activities for the following capitally funded projects: $38 million for the Cornell/Technion NYC Tech Campus, $15 million for the Whitney Museum of American Art, and $11 million for remediation work relating to Superstorm Sandy. The increase in unearned revenues primarily is due to advance payments received for the High Line Park and Albee Development.

Net position during fiscal year 2013 overall decreased $3 million or 1% as a result of the current operating activities noted below. This decrease was comprised of $10 million from unrestricted net position, which was offset by increases of $3 million and $4 million in restricted net position and capital asset investments, respectively.

Prior Year

During fiscal year 2012, total assets increased $116 million or 15%. This overall change in assets was driven by large increases in both tenant receivables and restricted cash receipts for various projects. The $67 million increase in tenant receivables was primarily due to new receivables for certain recoverable costs for Forest City ground leases. The increase in restricted cash was driven by new project receipts including but not limited to: $20 million for 42nd Street Development Project (Public Purpose Funds), $16 million for various land sales and escrow deposits and $11 million for the Marriott Marquis pass through lease payments.

Financial Analysis of the Corporation (continued)

Net Position (continued)

Total liabilities increased $99 million or 21% primarily due to an increase of $79 million in unearned revenue. The unearned revenue increase is largely driven by the Forest City ground transaction. In addition, land sales and escrow deposits payable increased $16 million due to the following: $10 million for the development of the Cornell/Technion NYC Tech Campus, $3 million for 210 Joralemon Street, and $3 million for Homeport Stapleton. Retainage payable on construction projects increased $9 million due to the ongoing Water Siphon Project between Staten Island and Brooklyn and South Brooklyn Marine Terminal Rehabilitation projects.

Net position during fiscal year 2012 increased $16 million or 5% as a result of the current operating activities noted above. Of this increase, $7 million was from restricted net position, $3 million was unrestricted net position, and $6 million was invested in capital net position.

Operating Activities

NYCEDC is The City's primary engine for economic development charged with leveraging the City's assets to drive growth, create jobs, and improve the overall quality of life within the City. Through its various divisions, NYCEDC provides a variety of services to eligible businesses that want to become more competitive, more productive and more profitable. In the process of providing its services, NYCEDC primarily generates revenues from property rentals and real estate sales.

The following table summarizes NYCEDC's change in net position for the fiscal year ended June 30, 2013, and Predecessor NYCEDC's change in net position for the fiscal years ended 2012 and 2011 (dollars in thousands) and the percentage changes between fiscal years 2013 and 2012:

Financial Analysis of the Corporation (continued)

Operating Activities (continued)

	Successor NYCEDC 2013	Predecessor NYCEDC 2012	Predecessor NYCEDC 2011	% Change 2013 – 2012
Operating revenues:				
Real estate sales, property rentals	**$ 202,611**	$ 172,420	$ 140,749	18%
Power sales	**946**	49,199	54,261	(98)%
Grants	**611,471**	497,778	548,034	23%
Fees and other income	**40,257**	52,554	128,584	(23)%
Total operating revenues	**855,285**	771,951	871,628	11%
Operating expenses:				
Project and program costs	**621,836**	497,755	533,999	25%
Property related expenses	**46,322**	45,086	37,675	3%
Utility expenses	**1,125**	48,785	53,381	(98)%
Personnel services	**46,187**	46,613	46,046	(1)%
Contract and other expenses to The City	**124,442**	99,668	89,905	25%
Office rent and other expenses	**20,762**	18,616	19,709	12%
Total operating expenses	**860,674**	756,523	780,715	14%
Operating income (loss)	**(5,389)**	15,428	90,913	(135)%
Non-operating revenues (expenses):				
Investment income	**297**	667	915	(56)%
Grants and insurance proceeds	**21,589**	–	–	100%
Emergency repairs and other	**(19,955)**	–	–	(100)%
Total non-operating incomes (expenses)	**1,931**	667	915	190%
Change in net position	**(3,458)**	16,095	91,828	(121)%
Total net position, beginning of year	**327,461**	311,366	219,538	5%
Total net position, end of year	**$ 324,003**	$ 327,461	$ 311,366	(1)%

During fiscal year 2013, operating revenues increased $83 million or 11%, primarily due to the increases of $114 million in reimbursable grants and $31 million of property rentals, offset by the decreases of $48 million from power sales and $18 million of other income. The increase in reimbursable grants is primarily a result of additional project and program activities related to the Cornell/Technion NYC Tech Campus, the Whitney Museum of American Art, and the Springfield Gardens. Additionally, NYCEDC received $5 million from New York City Industrial Development Agency (NYCIDA) and Build New York City Resource Corporation (Build NYC) for the Hurricane Emergency Loan Program ("HELP"). The increase of property rental revenue

Operating Activities (continued)

is due to the following: property refinancing at both the Jamaica and Atlantic Centers, pass-through of PILOT revenues from the 42nd Street Development Project, and reinstated tenant receivables at the Hunts Point Cooperative Market. The reduction of power sales is due to the termination of the New York City Power Utility Service ("NYCPUS") program. The decrease of other income is primarily due to the reduction of the revenue sharing from the 42nd Development Project.

Operating expenses during fiscal year 2013 increased by $104 million or 14% primarily due to a net increase of $124 million in project and program costs relating to the aforementioned projects. Contract and other expenses to The City increased by $24 million due to an additional supplemental contribution requested by The City. Utility expenses decreased by $48 million for utility expenses relating to the termination of the NYCPUS program.

Accordingly, the Corporation recognized an operating loss of $5 million during fiscal year 2013. This constitutes a decrease of $21 million or 135% compared with fiscal year 2012.

Due to damages caused by Superstorm Sandy, the Corporation participated in the City's overall remediation and clean-up project and, therefore; incurred unexpected and unusual expenses, which were outside the ordinary scope of business for the Corporation. NYCEDC received revenues and funding commitments from various sources in order to offset fully or partially expenses relating to the remediation, clean-up, and restoration project. Non-operating revenues totaled to $22 million, which consists of the following: $17 million from insurance proceeds and $5 million from reimbursable grants. Non-operating expenses consists of $20 million for emergency repairs and other related costs related to Superstorm Sandy.

Accordingly, the Corporation recognized a loss of $3 million during fiscal year 2013. This constitutes a decrease of $20 million or 121% as compare with fiscal year 2012.

Prior Year

During fiscal year 2012, operating revenues decreased $100 million or 11%, primarily due to the $79 million decrease in revenue sharing for the 42nd Street Development Project. These funds were previously held by ESDC (Note 13). Reimbursable grants also decreased $50 million due to fewer reimbursable expenses. However, the property rentals increased $31 million due to NYCEDC's assumption of management responsibility for the 42nd Development Project and an increase in revenues from Forest City ground leases.

Prior Year (continued)

Operating expenses during fiscal year 2012 decreased by $24 million or 3% primarily due to a net decrease of $36 million in project and program costs. The Lincoln Center-Promenade completion and Highline reconstruction projects both incurred significantly fewer expenses. Contract and other expenses to the City increased $10 million largely due to the 42nd Street Development Project.

Correspondingly, operating income during fiscal year 2012 decreased $76 million or 83% as a result of the items above.

Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal year ended June 30, 2013, and Predecessor NYCEDC's capital assets for the fiscal years ended June 30, 2012 and 2011 (dollars in thousands) and the percentage change between June 30, 2013 and 2012:

	Successor NYCEDC 2013	**Predecessor NYCEDC 2012**	**Predecessor NYCEDC 2011**	**% Change 2013 – 2012**
Leasehold improvements	**$ 13,933**	$ 8,789	$ 1,695	59%
Furniture and fixtures	**6,325**	5,518	6,855	15%
	20,258	14,307	8,550	42%
Less accumulated depreciation and amortization	**(5,643)**	(3,784)	(4,248)	(49)%
Net capital assets	**$ 14,615**	$ 10,523	$ 4,302	39%

The increase in the leasehold improvements was largely due to the capital additions to subdivide usable lease space at the Brooklyn Army Terminal as well as an installation of a new passenger gangway boarding structure at the Manhattan Cruise Terminal.

Contacting NYCEDC's Financial Management

This financial report is designed to provide our customers, clients and the public with a general overview of NYCEDC's finances and to demonstrate NYCEDC'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 Economic Development Corporation
(a component unit of The City of New York)

Statements of Net Position

	June 30	
	2013 Successor EDC	**2012 Predecessor EDC**
Assets		
Current assets:		
Cash and cash equivalents – current	**$ 132,312,596**	$ 177,664,432
Restricted cash and cash equivalents – current	**151,817,175**	94,754,871
Investments	**37,303,192**	29,424,641
Current portion of loans and mortgage notes receivable	**2,581,645**	1,780,491
Accrued interest receivable from loans	**172,644**	242,672
Due from The City, including $240,443,354 and $172,877,800, respectively, under contracts with The City	**285,245,780**	195,028,063
Tenant receivables, net of allowance for uncollectible amounts of $10,764,297 and $9,284,274, respectively	**48,207,044**	37,849,231
Prepaid expenses	**1,255,127**	646,774
Due from State – ESDC	**–**	12,814,600
Other receivables	**9,629,654**	14,363,961
Land deposits in escrow	**2,058,000**	1,890,950
Total current assets	**670,582,857**	566,460,686
Noncurrent assets:		
Restricted cash and cash equivalents	**131,435,275**	115,256,260
Unrestricted investments	**10,977,750**	2,973,974
Restricted investments	**33,558,001**	19,283,026
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of $2,128,665 and $1,214,311, respectively)	**26,512,086**	29,264,834
Tenant receivables non-current	**50,997,923**	53,480,527
Capital assets, net	**14,615,151**	10,523,365
Land held for development, at cost	**108,693,118**	108,693,118
Other assets	**1,087,000**	1,087,000
Total noncurrent assets	**377,876,304**	340,562,104
Total assets	**1,048,459,161**	907,022,790
Liabilities and net position		
Current liabilities:		
Accounts payable and accrued expenses, including $171,798,851 and $114,091,285, respectively, under contracts with The City	**227,485,338**	156,990,614
Deposits received on pending sales of real estate	**23,872,758**	8,278,000
Due to The City: real estate obligations and other	**12,802,792**	19,697,423
Unearned revenue	**32,947,222**	28,743,819
Other liabilities	**1,678,271**	964,717
Total current liabilities	**298,786,381**	214,674,573
Noncurrent liabilities:		
Tenant security and escrow deposits payable	**26,614,999**	22,666,624
Obligation for other post-employment benefits	**19,940,000**	19,785,003
Due to The City: real estate obligations	**105,345,500**	105,345,500
Unearned revenue, including unearned grant revenue of $39,642,625 and $39,844,763, respectively, under contracts with The City	**229,578,629**	184,159,330
Retainage payable	**43,008,748**	32,045,663
Other liabilities	**1,181,744**	884,876
Total noncurrent liabilities	**425,669,620**	364,886,996
Total liabilities	**724,456,001**	579,561,569
Net position:		
Restricted by law or under various agreements	**94,274,860**	91,706,891
Unrestricted	**215,113,149**	225,230,965
Net investment in capital assets	**14,615,151**	10,523,365
Total net position	**$ 324,003,160**	$ 327,461,221

See accompanying notes.

New York City Economic Development Corporation
(a component unit of The City of New York)

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30	
	2013 Successor EDC	**2012 Predecessor EDC**
Operating revenues:		
Grants	**$ 611,471,272**	$ 497,777,631
Property rentals	**171,363,593**	140,388,670
Power sales	**945,530**	49,198,827
Fee income	**18,480,787**	13,143,638
Other income – 42nd Street Development Project	**4,483,728**	12,879,709
Other income	**17,292,490**	26,531,175
Real estate sales, net	**31,247,934**	32,031,472
Total operating revenues	**855,285,334**	771,951,122
Operating expenses:		
Project costs	**105,238,601**	88,624,799
Program costs	**516,597,604**	409,130,543
Property rentals and related operating expenses	**46,322,072**	45,085,542
Utility expenses	**1,124,654**	48,785,219
Personnel services	**46,186,949**	46,612,829
Office rent	**8,309,369**	7,964,299
Contract and other expenses to The City	**124,442,487**	99,668,725
Other general expenses	**12,452,891**	10,651,450
Total operating expenses	**860,674,627**	756,523,406
Operating (loss) income	**(5,389,293)**	15,427,716
Non-operating revenues (expenses):		
Income from investments	**296,761**	667,015
Insurance proceeds – Superstorm Sandy	**17,142,808**	–
Reimbursable grants – Superstorm Sandy	**4,446,196**	–
Emergency repairs and others – Superstorm Sandy	**(19,954,533)**	–
Total non-operating revenues	**1,931,232**	667,015
Change in net position	**(3,458,061)**	16,094,731
Net position, beginning of year	**327,461,221**	311,366,490
Net position, end of year	**$ 324,003,160**	$ 327,461,221

See accompanying notes.

New York City Economic Development Corporation
(a component unit of The City of New York)

Statements of Cash Flow

	Year Ended June 30	
	2013 Successor EDC	**2012 Predecessor EDC**
Cash flows from operating activities		
Real estate sales	**$ 41,336,275**	$ 32,672,914
Property rentals	**178,027,318**	142,908,499
Power sales	**6,322,400**	50,819,767
Grants from The City	**558,181,505**	508,507,100
Fee income	**18,930,910**	12,825,170
Other income	**5,450,291**	26,174,825
Other income – 42nd Street Development Project	**17,298,328**	92,810,441
Project costs	**(104,321,557)**	(78,176,656)
Program costs	**(430,250,946)**	(414,858,664)
Property rentals and related operating expenses	**(49,235,230)**	(43,685,526)
Utility expenses	**(5,564,432)**	(51,647,705)
Personnel services	**(45,976,918)**	(46,175,654)
Office rent	**(8,309,368)**	(7,964,299)
Contract and other expenses to The City	**(124,442,487)**	(87,656,898)
Other general and administrative expenses	**(9,706,500)**	(11,792,172)
Repayments of loans and mortgage receivable	**924,040**	11,824,602
Tenant security and escrow deposits	**3,948,374**	14,270,766
Insurance proceeds from Superstorm Sandy	**17,142,808**	–
Reimburseable grants—Superstorm Sandy	**8,154**	–
Expenses paid for Superstorm Sandy	**(6,255,307)**	–
Other	**361,068**	(6,785,913)
Net cash provided by operating activities	**63,868,726**	144,070,597
Cash flows from capital and related financing activities		
Purchase of capital assets	**(5,951,652)**	(5,757,282)
Net cash used in capital and related financing activities	**(5,951,652)**	(5,757,282)
Cash flows from investing activities		
Sale of investments	**47,570,809**	52,816,166
Purchase of investments	**(77,728,111)**	(54,021,943)
Deposits on land	**(167,050)**	5,092,800
Interest income	**296,761**	667,015
Net cash (used in) provided by investing activities	**(30,027,591)**	4,554,038
Net increase in cash and cash equivalents	**27,889,483**	142,867,353
Cash and cash equivalents, beginning of year	**387,675,563**	244,808,210
Cash and cash equivalents, end of year	**$ 415,565,046**	$ 387,675,563

New York City Economic Development Corporation
(a component unit of The City of New York)

Statements of Cash Flows (continued)

	Year Ended June 30	
	2013 Successor EDC	**2012 Predecessor EDC**
Reconciliation of operating (loss) income to net cash provided by operating activities		
Operating (loss) income	**$ (5,389,293)**	$ 15,427,716
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**1,859,866**	(464,441)
Net cash provided by non-operating activities	**1,634,471**	
Changes in operating assets and liabilities:		
Accrued interest receivable	**70,028**	(57,670)
Due to/from The City	**(97,112,348)**	199,230
Tenant receivables	**(7,875,209)**	(66,954,879)
Prepaid expenses and other receivables	**4,125,954**	4,308,266
Due from State – ESDC	**12,814,600**	79,930,732
Loans and mortgage notes receivable	**1,951,594**	11,000,687
Tenant security and escrow deposits payable	**3,948,375**	14,270,766
Accounts payable and accrued expenses	**70,494,724**	(6,064,556)
Deposits received on pending sales of real estate	**15,594,758**	3,151,305
Obligation for OPEB	**154,997**	370,003
Unearned grant revenue	**49,622,702**	78,674,706
Retainage payable	**10,963,085**	9,270,211
Other current liabilities	**713,554**	257,001
Other noncurrent liabilities	**296,868**	751,520
Net cash provided by operating activities	**$ 63,868,726**	$ 144,070,597
Supplemental disclosures of non-cash activities		
Unrealized loss on investments	**$ (860,470)**	$ (647,004)

See accompanying notes.

1. Background and Organization

The accompanying financial statements include the assets, liabilities, net position and the financial activities of the New York City Economic Development Corporation and its component unit, Apple Industrial Development Corp. ("Apple").

From its inception, New York City Economic Development Corporation ("Predecessor NYCEDC") was a local development corporation organized pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York (the "State"). Predecessor NYCEDC was recognized by the IRS as a tax-exempt organization under IRC section 501(c)(3), and a wholly owned instrumentality of The City of New York ("The City"). In furtherance of its business objectives, Predecessor NYCEDC was merged with and into New York City Economic Growth Corporation ("EGC") effective November 1, 2012 and ceased to exist as of that date. EGC is a not-for-profit corporation which generates income that is exempt from federal taxation under IRC section 115. Upon the merger, EGC's name was changed to the New York City Economic Development Corporation ("NYCEDC," "Successor NYCEDC," or "the Corporation").

NYCEDC's primary activities consist of rendering a variety of services and administering certain economic development programs on behalf of The City of New York ("The City") relating to attraction, retention and expansion of commerce and industry in The City. These services and programs include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within The City and provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein. These services are provided under two contracts with The City (the "NYCEDC Master Contract" and the "NYCEDC Maritime Contract").

Apple was created in 1980 and provides management and maintenance services for certain City-owned and NYCEDC owned and leased properties. Apple has contracted with NYCEDC to manage wharf, waterfront, public market and aviation properties that NYCEDC is responsible for managing under the NYCEDC Maritime Contract, properties under lease to or owned by NYCEDC, and other properties that NYCEDC is responsible for managing pursuant to the NYCEDC Master Contract or pursuant to other arrangements with The City. Apple has assumed NYCEDC's rights and obligations under certain management and maintenance service contracts with The City. Complete financial statements for Apple may be obtained at its administrative offices, which are located at 110 William Street, New York, New York 10038.

1. Background and Organization (continued)

The officers of Apple are the same as NYCEDC. NYCEDC has full exclusive and complete discretion to manage, control and make all decisions affecting the business affairs of Apple. As a result, Apple is reported as a blended component unit of NYCEDC. Also, NYCEDC's financial statements are included in The City's financial statements as a component unit for financial reporting purposes.

In order to present the financial position and the changes in financial position of Apple in a manner consistent with limitations and restrictions placed upon the use of resources and NYCEDC's contractual agreement with The City and other third parties, Apple classifies its operations into the following five portfolios:

> *Commercial Leases Portfolio:* Apple has been assigned the rights to manage certain non-cancelable NYCEDC ground leases with The City. NYCEDC subleases the property to commercial and industrial tenants. The sublease agreements generally provide for minimum rentals plus provisions for additional rent, and restrict the use of the land to the construction or development of commercial, manufacturing or industrial facilities.
>
> *Brooklyn Army Terminal Portfolio:* The Brooklyn Army Terminal ("BAT") is an industrial property owned by The City which is leased to NYCEDC and managed by Apple on NYCEDC's behalf. Under the terms of the BAT lease, a reserve account of $500,000 was established from net BAT revenues for property operating and capital expenses.
>
> *Maritime Portfolio:* This portfolio was established to account for Apple's management, promotion, expansion and development of waterfront, public market, public aviation and intermodal transportation properties on NYCEDC's behalf pursuant to the subcontract.
>
> *Other Properties Portfolio:* This portfolio was established to account for the activities of Apple related to certain City-owned and other properties for which Apple assumed management responsibilities. Pursuant to an agreement between NYCEDC and The City, the net revenue from three of the properties is retained by the portfolio for property operating and capital expenses or for expenses of projects in the area. The net position retained as of June 30, 2013 and 2012 were $7,664,088 and $10,747,547, respectively. Net revenues excluded depreciation expenses. Any net revenues from the other properties are payable to NYCEDC pursuant to the subcontract.

1. Background and Organization (continued)

42nd Street Portfolio: This portfolio was originally established as a joint effort between The City and the State of New York to redevelop 42nd Street into vibrant office and cultural center. In October 2012, the ownership of this portfolio was transferred from the State of New York to The City pursuant to agreements reached between the State, The City and NYCEDC that were effective July 1, 2011. Under the terms of the agreement, Apple assumed management and administrative responsibilities for all leases in connection with the 42nd Street Development Project on behalf of NYCEDC. NYCEDC generally collects and remits all rental revenues to The City. NYCEDC may share in rental revenues above established amounts as agreed upon with The City, and may retain $1 million per fiscal year as an administrative fee.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

NYCEDC 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”).

Recently Adopted Accounting Pronouncements

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB No. 63”). GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the

2. Summary of Significant Accounting Policies (continued)

required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for the periods beginning after December 15, 2011. The Corporation's adoption of GASB No. 63 resulted in a change in the presentation of the balance sheets to what is now referred to as the statement of net position and the term "net assets" was changed to "net position" throughout the financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The early adoption of GASB No. 65 did not have an impact on the Corporation's financial statements.

Upcoming Accounting Pronouncements

In March 2012, GASB issued Statement No. 66, *Technical Corrections–2012* ("GASB No. 66"). The objective of this Statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements–Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Corporation does not anticipate that the implementation of this standard will have an impact on its financial statements.

2. Summary of Significant Accounting Policies (continued)

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* ("GASB No. 67"). The objective of this Statement is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Since this standard impacts the financial reporting of pension plans, the Corporation does not anticipate that the implementation of this standard will have an impact on its financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB No. 68"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Corporation has not completed the process of evaluating the impact of GASB 68 on its financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB No. 69"). The objective of this Statement is to improve the accounting for mergers and acquisitions among state and local governments by providing guidance specific to the situations and circumstances encountered within the governmental environment. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The Corporation does not anticipate that the implementation of this standard will have an impact on its financial statements.

In February 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB No. 70"). The objective of this Statement is to improve the comparability of financial statements among governments by requiring consistent reporting by those governments that extend and/or receive nonexchange financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. The Corporation does not anticipate that the implementation of this standard will have an impact on its financial statements.

2. Summary of Significant Accounting Policies (continued)

Revenue and Expense Classification

NYCEDC distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing contract services in connection with NYCEDC's principal on-going operations. The principal operating revenues are grants from The City, rentals of City-owned property, and sales of property (see Real Estate Sales). NYCEDC's operating expenses include project and program costs, property rental charges and related administration 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 NYCEDC's policy to use restricted resources first, and then unrestricted resources as needed.

Grants

NYCEDC administers certain reimbursement and other grant funds from The City under its contracts with The City.

A reimbursement grant is a grant awarded for a specifically defined project and is generally administered such that NYCEDC is reimbursed for any qualified expenditures associated with such projects.

NYCEDC records reimbursement grants from The City as revenue when the related program costs are incurred. Differences between the program costs incurred on specific projects and the related receipts are reflected as due from The City or as unearned revenue in the accompanying statements of net position.

Other grants are recorded as revenue when earned.

Property Rentals

Property rentals are recognized on a straight-line basis over the term of the leases.

2. Summary of Significant Accounting Policies (continued)

Real Estate Sales

Proceeds from sales of City-owned properties, other than proceeds in the form of a promissory note from the purchaser in favor of NYCEDC, are recognized as income at the time of closing of the sale. Deposits received from prospective purchasers prior to closing are included in the accompanying statements of net position as deposits received on pending sales of real estate.

Beginning in fiscal 1990, for sales of City-owned property in which NYCEDC has accepted a promissory note from a purchaser in lieu of cash, in addition to the note receivable, corresponding unearned revenue is recorded at the time of closing. Due to collectability risks associated with these promissory notes, such unearned revenue is amortized into income ratably as payments are made.

Retainage Payable

Retainage payable is treated as non-current due to the long-term nature of the related contracts.

Loans and Mortgage Notes Receivable

Loans to finance the acquisition of land and buildings are generally repayable over a 15 to 25 year period. Generally, all such loans for acquisition are secured by second mortgages or other security interest and carry below market interest rates. NYCEDC also established a portfolio for the Hurricane Emergency Loan Program (“HELP”), which is generally repayable over a three year period. NYCEDC provides an allowance for loan losses based on an analysis of a number of factors, including the value of the related collateral. Based on established procedures, NYCEDC writes off the balances of those loans determined by management to be uncollectible.

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and on hand, certificates of deposit and highly liquid debt instruments with original maturities of three months or less. Cash equivalents are stated at fair value.

Restricted Cash and Investments

Restricted cash and investments include amounts related to operations or programs administered on behalf of The City and, accordingly, such amounts are not available for use by NYCEDC for general corporate purposes.

Capital Assets

Capital asset purchases for internal use by NYCEDC in excess of $10,000 and consisting primarily of leasehold improvements, furniture, and equipment are capitalized and depreciated using the straight-line method over the life of the lease or the estimated useful life assigned. The useful life of the furniture and equipment varies from three to five years. Asset purchases for use in operations or at various properties have useful life from seven to twenty years.

Disbursements made by NYCEDC on behalf of The City for, among other things, capital projects, tenant build-outs and leasing commissions in connection with rental operations, are reflected as expenses in the year they are incurred.

The Corporation changed its assets disposal policy during the fiscal year. Assets are recorded as disposed only if they are retired from use.

Tax Status

The currently reported income of NYCEDC should qualify for exclusion from gross income for federal income tax purposes under Section 115 of the U.S. Internal Revenue Code (the “Code”).

Apple’s income is exempt from federal income taxes under Section 501(c)(3) of the Code.

3. Contracts With The City of New York

NYCEDC Master Contract

The City and NYCEDC have entered into the NYCEDC Master Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of industrial and commercial development within The City, including among others (1) facilitating commercial and industrial development projects, (2) stabilizing and improving industrial areas in The City, (3) administering public loan, grant and subsidy programs on behalf of The City, (4) encouraging development of intrastate, interstate and international commerce within The City, and (5) managing and maintaining certain City-owned properties.

In partial consideration of the services rendered by NYCEDC pursuant to the NYCEDC Master Contract, NYCEDC may retain (1) net revenues resulting from the sale or lease of City-owned properties, and (2) certain interest and other related income received by NYCEDC for financing programs administered on behalf of The City, up to the contract cap. For fiscal years ended June 30, 2013 and 2012, net revenues generated from such sources amounted to $91,108,001 and $77,556,507, respectively. Income self-generated by NYCEDC, including interest earned on all cash accounts related to unrestricted operations and certain fees earned for services rendered that are not payable by The City, may be retained by NYCEDC under the NYCEDC Master Contract without regard to the contract cap.

Pursuant to section 11.05 of the NYCEDC Master Contract, at any time upon written request of the Mayor of The City or his designee, NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC’s unrestricted net position exceeds $7,000,000. At the direction of The City, NYCEDC was required to remit $73,815,488 and $55,490,839 from its unrestricted net position in fiscal 2013 and 2012, respectively, which are accounted for as contract and other expenses to The City in the statements of revenues, expenses and changes in net position.

The term of the NYCEDC Master Contract is one year commencing on July 1 and may be extended by The City for up to one year. The City may terminate this contract at its sole discretion upon 90 days’ written notice. Upon termination of this contract, NYCEDC must remit to The City all program funds or other assets subject to certain prescribed limitations.

3. Contracts With The City of New York (continued)

NYCEDC Maritime Contract

The City and NYCEDC have entered into the NYCEDC Maritime Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of waterfront, intermodal transportation, market, freight and aviation development and commerce. The services provided under this contract include (1) retaining maritime business and attracting maritime business to The City, (2) managing, developing, maintaining and promoting The City's waterfront, markets, aviation, freight and intermodal transportation, and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

In the performance of its services under the NYCEDC Maritime Contract, NYCEDC collects monies, including but not limited to, rents and other revenues from tenants of certain City-owned properties managed by NYCEDC in connection with its maritime program (see Note 11). In consideration of the services rendered by NYCEDC pursuant to the NYCEDC Maritime Contract, The City has agreed to pay NYCEDC for all costs incurred in the furtherance of The City's objectives under this contract, to the extent such costs have been provided for in The City approved budget ("Budget") as called for by the NYCEDC Maritime Contract. Any Reimbursable Expenses, as defined in the NYCEDC Maritime Contract, may be retained by NYCEDC out of the net revenues generated on The City's behalf, to the extent such expenses are not provided for in the Budget (the "Reimbursed Amount"). For the fiscal years ended June 30, 2013 and 2012, the Reimbursed Amount was $27,903,712 and $28,929,099, respectively. Net revenues generated on The City's behalf for services under the NYCEDC Maritime Contract in excess of the Reimbursed Amount must be remitted to the City on a periodic basis. The operations covered by the NYCEDC Maritime Contract generated $16,718,140 and $16,720,822 in net revenues in both fiscal years 2013 and 2012.

Pursuant to section 9.06 of the NYCEDC Maritime Contract, at any time upon written request of the Mayor of The City or his designee, NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC's maritime net position exceeds $7 million.

3. Contracts With The City of New York (continued)

At the direction of The City, NYCEDC was required to remit $16,718,000 for both fiscal years 2013 and 2012, respectively, pursuant to the NYCEDC Maritime Contract, and such amounts are included in the accompanying statements of revenues, expenses and changes in net position under contract and other expenses to The City. The entire amounts required were remitted at June 30, 2013 and 2012, respectively.

The term of the NYCEDC Maritime Contract is one year commencing on July 1, and may be extended by The City for up to one year. The City may terminate this contract at its sole discretion upon 90 days written notice. Upon termination of this contract, NYCEDC must remit to The City all program funds or other assets subject to certain prescribed limits.

Other Agreements

In addition, NYCEDC remits restricted revenue from two sources to The City: the 42nd Street Development Project and the Times Square Marriott Marquis ground lease rental payments. NYCEDC remits revenue deemed to be restricted based upon agreements with The City. The amounts remitted for fiscal year 2013 and fiscal year 2012 were $58 million and $49 million, respectively.

4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2013, grant revenue was $615,917,468 of which $576,449,312 were reimbursement grants from The City. For the year ended June 30, 2012, grant revenue was $497,777,631, of which $474,873,217 were reimbursement grants from The City.

The grants received during the fiscal year consist of $611,471,272 for operating activities in the ordinary course of business and $4,446,196 which related to reimbursement of Superstorm Sandy expenses.

5. Land Held for Development

NYCEDC may purchase land to help achieve the City's and NYCEDC's redevelopment goals. During fiscal year 2010, NYCEDC purchased several parcels of land in Coney Island ("Coney") to assist with the implementation of a comprehensive economic development plan to strengthen the Coney amusement area. The cost of these property acquisitions was $105.3 million, for which NYCEDC received Capital funds from the City. Effective March 2010, NYCEDC leased the acquired property acquired to a third party for a ten year period in furtherance of the goals and vision for Coney. NYCEDC may convey the site to the City, for nominal consideration, at any time. This amount is reflected as real estate obligations due to the City. Also included in land held for development is approximately $3.4 million of other properties. No additional land purchases were made in fiscal year 2013.

6. Other Income

The following table summarizes other income for the fiscal years ended June 30, 2013 and 2012:

	2013	2012
Tenant reimbursements	**$ 6,213,877**	$ 6,628,381
Developer contributions	**4,166,057**	2,267,874
Interest income from loans	**1,313,073**	2,429,558
Loan recovery and other miscellaneous income	**5,599,483**	15,205,362
Total	**$ 17,292,490**	$ 26,531,175

7. Loans and Mortgage Notes Receivable

NYCEDC has received installment notes from purchasers of certain real property sold by NYCEDC following NYCEDC's purchase of such property from The City. The installment notes are secured by separate purchase money mortgages on the properties sold. At June 30, 2013 and 2012, these mortgage notes totaled $7,889,440 and $13,565,464, respectively, exclusive of interest receivable.

7. Loans and Mortgage Notes Receivable

NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with their corporate mission and contractual obligations with The City. These loans were made to borrowers whose business operations are likely to provide employment generation, increase tax revenue, improve the physical environment of areas, stabilize neighborhoods or provide other benefits to The City. Collectively, the installment notes and loans form the Finance Programs

Additionally, the Corporation, as the junior lender, partnered with Goldman Sachs, as the senior lender, and New York Business Development Corporation (NYBDC), to establish the HELP program, a loan program for certain eligible businesses affected by Superstorm Sandy. NYBDC serves as the loan administrator. The loan duration varies up to three years. The Corporation, under a purchase of services agreement, received $4 million and $1 million from NYCIDA and Build NYC, respectively, for this program.

At June 30, 2013, the loan and mortgage notes portfolio consisted of 19 loans that bear interest at rates ranging from 0% to 9% and mature at various dates through October 1, 2036.

Scheduled maturities of principal for these loans for the next five years and thereafter are as follows:

	Principal Maturity	Interest
Fiscal Year:		
2014	$ 2,547,928	$ 935,513
2015	2,060,557	904,387
2016	6,106,904	797,787
2017	1,373,439	734,064
2018	594,104	703,895
2019 – 2023	10,098,634	3,035,353
2024 – 2028	6,423,034	1,324,164
2029 – 2033	1,411,131	50,881
2034 – 2037	606,665	–
	31,222,396	$ 8,486,044
Allowance for uncollectible amounts	(2,128,665)	
Loans and mortgage notes receivable, net	$ 29,093,731	

7. Loans and Mortgage Notes Receivable (continued)

NYCEDC's three larger loans in fiscal 2013 represent approximately 46% of its loan portfolio balance. The composition of the nine largest loans, comprising 93% of the entire portfolio, by industry type, at June 30, 2013 was as follows: real estate development 23% and other service 77%.

The ability of the borrowers to honor their contracts may be affected by a downturn in The City's economy, which may ultimately limit the funds available to repay interest and principal.

The City may, at its discretion, request payment of certain amounts received by NYCEDC from the administration of certain programs within the Finance Programs.

8. Due to/from The City of New York

NYCEDC is required to remit amounts to The City under the NYCEDC Master Contract (see Note 3). The unremitted portion of such amounts at June 30, 2013 and 2012 amounted to $12,799,672 and $19,362,319, respectively.

Pursuant to the various contracts with The City, NYCEDC recorded total grants from The City in the amount of $576,449,312 and $497,777,631 during fiscal years 2013 and 2012, respectively, of which $240,443,354 and $172,877,800 were unpaid by The City as of June 30, 2013 and 2012, respectively. These unpaid amounts are included in the accompanying statements of net position as Due from The City.

9. Capital Assets

Changes in capital assets for the years June 30, 2011 to June 30, 2013 consisted of the following:

	June 30, 2011	Additions/ Depreciation	Disposals	June 30, 2012	Additions/ Depreciation	Disposals	June 30, 2013
Equipment	$ 5,967,745	$ 545,036	$(1,488,027)	$ 5,024,754	**$ 583,012**	**$ –**	**$ 5,607,766**
Leasehold improvements	1,694,935	7,093,739	–	8,788,674	**5,144,781**	**–**	**13,933,455**
Computer software	886,888	42,045	(435,512)	493,421	**223,859**	**–**	**717,280**
Capital assets	8,549,568	7,680,820	(1,923,539)	14,306,849	**5,951,652**	**–**	**20,258,501**
Less:							
Accumulated depreciation	(4,247,926)	(1,459,097)	1,923,539	(3,783,484)	**(1,859,866)**	**–**	**(5,643,350)**
Capital assets, net	$ 4,301,642	$ 6,221,723	$ –	$ 10,523,365	**$ 4,091,786**	**$ –**	**$ 14,615,151**

Depreciation and amortization of capital assets for the fiscal years ended June 30, 2013 and 2012 were $1,859,866 and $1,459,097, respectively.

10. Cash and Investments

Cash

The bank balance of NYCEDC's cash deposits was $330,331,957, of which $2,025,684 was covered by federal depository insurance and $185,616,680 was collateralized by securities held by the pledging financial institution. The remaining balance was uncollateralized at June 30, 2013. Emergency funds on hand amounted to $4,500 at June 30, 2013.

Investments

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America or in obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America as well as obligations of the State. All of the Corporation's investments in U.S. agencies carry a guarantee of the U.S. government. Other permitted investments, include short term commercial paper, certificates of deposit and bankers acceptances. All investments are subject to certain limitations and conditions, and are carried at fair value, except for certificates of deposit, which are valued at cost.

10. Cash and Investments

Investments at June 30, 2013 and 2012 consist of the following securities with maturities (dollars in thousands):

	Fair Value		Investment Maturities at June 30, 2013 in Years	
	2013	**2012**	**Less than 1**	**1 to 7**
Money market and mutual funds	**$ 52,912**	$ 103,474	$ 52,912	$ –
Money market deposit account	**32,649**	68,568	32,649	–
FHLB notes	**16,713**	5,974	11,428	5,285
FHLMC notes	**34,958**	9,884	26,193	8,765
U.S. treasury bills	**–**	3,518	–	–
Commercial paper	**12,984**	13,979	12,984	–
FFCB notes	**6,222**	8,003	5,638	584
FNMA notes	**12,733**	8,869	10,777	1,956
Certificate of deposit and other	**1,452**	1,455	1,452	–
	170,623	223,724	$ 154,033	$ 16,590
Less amount classified as cash equivalents	**(88,784)**	(172,042)		
Total investments	**$ 81,839**	$ 51,682		

10. Cash and Investments (continued)

At June 30, 2013 and 2012, cash, cash equivalents and investments of $316,810,451 and $229,293,157, respectively, were restricted for use in connection with designated programs of NYCEDC.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Corporation limits 80% of its investments to instruments maturing within two years of the date of purchase. The remaining 20% of the portfolio may be invested in instruments with maturities up to a maximum of seven years.

Credit Risk: It is the Corporation’s policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the US government. As of June 30, 2013, the Corporation’s investments in Federal National Mortgage Association (“FNMA”), Federal Home Loan Bank (“FHLB”), Federal Farm Credit Bank (“FFCB”) and the Federal Home Loan Mortgage Corporation (“FHLMC”) were rated AA+ by Standard & Poor’s and AAA by Moody’s and Fitch Ratings. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor’s, P-1 by Moody’s, and/or F1+ by Fitch Ratings). 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 Corporation will not be able to recover the value of its investments or collateral securities 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 Corporation.

The Corporation manages custodial credit risk by limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2013, the Corporation was not subject to custodial credit risk.

10. Cash and Investments (continued)

Concentration of Credit Risk – The Corporation places no limit on the amount the Corporation may invest in any one issuer. The following table shows investments that represent 5% or more of total investments as of June 30, 2013 and 2012 (dollars in thousands).

	Dollar Amount and Percentage of Total Investments			
Issuer	**June 30, 2013**		**June 30, 2012**	
Federal Home Loan Bank	**$ 16,713**	**20.42%**	$ 5,974	11.56%
Federal National Mort. Assoc.	**12,733**	**15.56**	8,869	17.16
Federal Home Loan Mortgage Corp.	**34,958**	**42.72**	9,884	19.12
Federal Farm Credit Bank	**6,222**	**7.60**	8,003	15.48
JPMorgan Chase Commercial Paper			6,991	13.53
Nestle Cap Corp Commercial Paper			6,998	13.53

Investment Income

Investment income includes unrealized gains and losses on investments as well as interest earned on bank accounts, certificates of deposit and securities. Investment income amounted to $296,761 and $667,015 for the fiscal years ended June 30, 2013 and 2012, respectively.

11. Ground Leases and Properties Managed by NYCEDC on Behalf of The City

NYCEDC has entered into certain ground leases with The City. NYCEDC, in turn, subleases the property to commercial and industrial tenants. Additionally, NYCEDC manages certain properties on behalf of The City for which there are no ground leases. The sublease agreements and leases that NYCEDC manages on behalf of The City generally provide for minimum rentals plus provisions for additional rent and restrict the use of the land to the construction or development of office, commercial, manufacturing or industrial facilities. Certain of the subleases also provide for renewals at the end of the initial lease term for periods ranging from 10 to 50 years.

11. Ground Leases and Properties Managed by NYCEDC on Behalf of The City (continued)

The future minimum rental income as of June 30, 2013, payable by the tenants under the subleases and leases managed by NYCEDC on behalf of The City, all of which are accounted for as operating leases, are as follows:

Fiscal Year	Minimum Rental Income from BAT Tenants	Minimum Rental Income from Commercial Tenants	Minimum Rental Income from Transportation/ Commerce Tenants	Minimum Rental Income from 42nd St Development Proj. Tenants	Minimum Rental Income from Other Tenants	Total
2014	$ 15,913,529	$ 11,125,817	$ 41,677,674	$ 3,689,798	$ 807,634	$ 73,214,452
2015	14,311,268	10,900,505	36,668,077	3,689,798	472,552	66,042,200
2016	11,972,668	10,090,155	34,555,114	3,689,798	88,100	60,395,835
2017	8,567,122	9,350,970	33,803,568	3,689,798	–	55,411,458
2018	6,056,956	9,231,122	32,717,420	3,689,798	–	51,695,296
2019 – 2023	23,650,238	29,378,746	147,628,215	18,448,993	–	219,106,192
2024 – 2028	5,698,095	22,648,167	102,151,455	18,448,993	–	148,946,710
2029 – 2033	4,148,200	19,840,832	57,268,155	18,448,993	–	99,706,180
2034 – 2038	4,148,200	18,828,721	43,809,656	18,448,993	–	85,235,570
2039 – 2043	4,148,200	18,346,760	14,396,055	18,448,993	–	55,340,008
Thereafter	8,780,357	114,522,677	50,365,735	179,114,028	–	352,782,797
Total	$107,394,833	$ 274,264,472	$ 595,041,124	$ 289,807,983	$ 1,368,286	$1,267,876,698

The thereafter category includes 41 leases with expiration dates between July 1, 2044 and December 31, 2100.

12. Tenant Receivables – Noncurrent

Pursuant to the ground leases with certain Forest City companies, costs incurred to acquire the properties prior to execution of these leases are to be reimbursed by the developer. The total to be repaid for these properties is $50,997,923, of which $35,206,986 is for Jay Street (One Metrotech Center), $8,819,733 is for Bridge Street (Two Metrotech Center) and $6,971,204 is for Tech Place (11 Metrotech Center). These receivables will be paid over a 20 year period as specified by the leases and are offset by an equal amount recorded in unearned revenues that will be recognized to revenue over the life of the agreements.

13. 42nd Street Development Project

The 42nd Street Development Project (the “Project”) was conceived in the 1980s to transform the properties in the 42nd Street area between 7th and 8th Avenues. For a number of years, NYCEDC has overseen the ground leases for the Project on behalf of The City. In October 2012, title to the properties, that comprise the Project, transferred from the State of New York to The City.

As intended, by Memorandum from The City dated September 20, 2010, NYCEDC retained 100% of amounts earned and attributable to the period prior to January 1, 2011 regardless of whether such amounts were collected before or after January 1, 2011, subject to the retention cap in section 3.07 of the Master Contract. For the fiscal years ended June 30, 2013 and 2012, NYCEDC recognized $4.5 million and $12.9 million, respectively, as operating revenue in connection with the services it provided to the Project. Also as contemplated by the September 20, 2010 Memorandum, the overall administration of the Project was assumed by NYCEDC. By agreement of the parties, assumption of these responsibilities occurred on July 1, 2011.

For all periods after January 1, 2011, NYCEDC, pursuant to Section 11.05 of the NYCEDC Master Contract, is to transfer to The City all payments in lieu of taxes, rental revenues and real estate taxes related to the Project properties that it collects, other than $1 million per fiscal year of revenues it collects in that fiscal year (including fiscal year 2011). NYCEDC is permitted to keep these revenues pursuant to Section 3.07 of the Master Contract for its administrative services. $1 million of such revenues has been included as fee income in the statements of revenues, expenses and changes in net position.

14. Pension Plan

NYCEDC maintains a defined contribution pension plan, which covers substantially all employees. The pension plan provides for variable contribution rates by NYCEDC ranging from 6% to 14% of the employees’ Eligible Wages, as defined in the Code. Pension expense for the fiscal years ended June 30, 2013 and 2012 amounted to $3.1 million and $3.2 million, respectively, and is included in personnel services in the accompanying statements of revenues, expenses and changes in net position.

15. Postemployment Benefits Other than Pensions

NYCEDC sponsors a single employer defined benefit health care plan that provides postemployment medical benefits for eligible retirees and their spouses. This plan was amended during February 2011 with the plan amendment effective July 1, 2011. The amendment includes revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. As a result of the amendment, the plan maintains the current benefit structure, but plan participation will continue for only certain groups of members, who are (i) all retired members, (ii) all active employees hired prior to April 1, 1986 who are ineligible for Medicare coverage when they depart NYCEDC, and (iii) all active employees who started working prior to January 1, 2011 and will meet the benefit eligibility requirement of age 60 or older with at least 10 years of service by June 30, 2023 and retire on or before June 30, 2023. NYCEDC is not required to and does not issue a publicly available financial report for the plan.

Benefit provisions and contribution requirements for the plan are established and amended through NYCEDC's Board of Directors and there is no statutory requirement for NYCEDC to continue this plan for future NYCEDC employees. The plan is a contributory plan with retirees subject to contributions established for either the Low or High version of the plan. Retirees receiving the post-employment health benefit pay a premium amount equal to what a current NYCEDC employee pays, based on his or her family status. Under the Low option, retirees make contributions in the amount of $50 a month for single coverage and $100 a month for family coverage. Under the High option, retiree contributions are $100 a month for single coverage and $200 a month for family. Additional costs may be incurred by the retiree under either the Low or High plan version. At June 30, 2013 and 2012, there were 23 and 22 retirees respectively receiving benefits, all under the Low version of the plan. Employer contributions are made on a pay as you go basis.

NYCEDC's annual OPEB cost for the plan is calculated based on the annual required contribution "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or

15. Postemployment Benefits Other than Pensions (continued)

funding excess) over a period not to exceed 30 years. NYCEDC's annual OPEB cost for the current year and the related information for the plan are as follows (dollars in thousands):

	2013	2012
Annual required contribution	**$ 2,167**	$ 2,391
ARC adjustment	**(2,378)**	(2,394)
Interest on net OPEB obligation	**692**	777
Annual OPEB cost	**481**	774
Contributions made	**(326)**	(404)
Increase in net OPEB obligation	**155**	370
Net OPEB obligation – beginning of year	**19,785**	19,415
Net OPEB obligation – end of year	**$ 19,940**	$ 19,785

NYCEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2012 and 2011 were as follows (dollars in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/13	$ 481	67.78%	$ 19,940
06/30/12	774	52.20%	19,785
06/30/11	726	45.31%	19,415

The actuarial valuation date is June 30, 2012. The actuarial accrued liability for benefits as of this date was $23,502,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $35,242,912, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 66.7%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as

15. Postemployment Benefits Other than Pensions (continued)

actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between NYCEDC and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The impact of the National Health Care Reform Act has been included in the valuation as of June 30, 2012.

For the June 30, 2012 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate and an annual healthcare cost trend rate of 9.5% for non-Medicare and 7.5% for Medicare and grading down to an ultimate rate of 4.5% for both. The unfunded actuarial accrued liability is being amortized over a 30 year closed period on a level dollar basis. The remaining amortization period at June 30, 2013 was 27 years.

16. Other Related-Party Transactions

New York City Land Development Corporation ("LDC")

In anticipation of the merger of EGC and Predecessor NYCEDC, on May 8, 2012 The City formed New York City Land Development Corporation as a local development corporation organized under Section 1411 of the Not-For-Profit Corporation Law of the State. LDC is engaged in economic development activities by means of assisting The City with leasing and selling certain properties. No management fees were established between NYCEDC and LDC in the current fiscal year.

16. Other Related-Party Transactions (continued)

New York City Industrial Development Agency ("IDA")

NYCEDC is responsible for administering the economic development programs of IDA. For the fiscal years ended June 30, 2013 and 2012, NYCEDC earned management fee income from IDA of $6,052,117. In fiscal year 2013, a contingency fee of $1,359, was earned by NYCEDC from IDA's recapture of benefits from one project company. In fiscal year 2012, there was no contingency fee. Such amounts are included in fee income in NYCEDC's accompanying statements of revenues, expenses and changes in net position. At June 30, 2013 and 2012, the amounts due from IDA totaled $672,067 and $443,110, respectively.

Build NYC Resource Corporation ("BNYC")

BNYC was incorporated under the not-for-profit corporation law of the State in 2012. Pursuant to an agreement between NYCEDC and BNYC, NYCEDC provides economic services to BNYC and administers BNYC's financial books and records. For the fiscal years ended June 30, 2013 and 2012, NYCEDC earned management fee income from BNYC of $20,001 and $1, respectively.

Coney Island Development Corporation ("CIDC")

CIDC was incorporated under the not-for-profit corporation law of the State in 2003. Pursuant to an agreement between NYCEDC and CIDC, NYCEDC provided project management services to CIDC and administered CIDC's financial books and records. Effective June 28, 2013 CIDC was dissolved and ceased to exist. During the fiscal year 2013, EDC did not earn any management fee from CIDC. During fiscal year 2012, NYCEDC earned management fees of $120,000 from CIDC.

Alliance for Coney Island ("ACI")

Alliance for Coney Island, Inc. was incorporated under the not-for-profit corporation law of the State in 2012. The Corporation is exempt from income taxes according to section 501(c)(3) of the Code. ACI is organized for the purposes of lessening the burden of government and promoting the public interest by acting as a community development corporation in the immediate vicinity of Coney Island, Brooklyn. During fiscal year 2013 NYCEDC earned management fees of $120,000 from ACI.

16. Other Related-Party Transactions (continued)

Other City Related Entities ("OCREs")

NYCEDC collected additional management fees from various OCREs. These OCREs consisted of the Brooklyn Bridge Park Corporation, the Trust for Governor's Island, New York City Energy Efficiency Corporation, and the Trust for Cultural Resources of New York City. The management and administrative fees billed during fiscal years 2013 and 2012 totaled $418,515 and $727,684, respectively.

17. Commitments and Contingencies

NYCEDC rents office space under a lease agreement expiring in fiscal year 2020. The future minimum rental commitments as of June 30, 2013 required under the operating lease are as follows:

Fiscal year:	
2014	$ 7,350,112
2015	7,557,928
2016	7,599,491
2017	7,599,491
2018	7,599,491
Thereafter	8,866,072
	$ 46,572,585

Rent expense for office space amounted to $8,309,368 and $7,964,299 for the fiscal years ended June 30, 2013 and 2012, respectively.

NYCEDC, and in certain situations as co-defendant with the City, Apple, and/or IDA, is involved in personal injury, property damage, breach of contract, environmental and other miscellaneous claims and lawsuits in the ordinary course of business. NYCEDC believes it has meritorious defenses or positions with respect thereto. In management's opinion, such litigation is not expected to have a materially adverse effect on the financial position of NYCEDC.

In 2009, the office of the New York State Attorney General commenced a state-wide investigation of local development corporations, including NYCEDC. The Corporation cooperated fully with this investigation and on July 2, 2012, the Corporation and the Attorney General signed an Assurance of Discontinuance, providing for the conclusion of the investigation. The Assurance of Discontinuance will have no financial effect on the Corporation.

17. Commitments and Contingencies (continued)

NYCEDC is the “Obligee” pursuant to a Promissory Note entered into with House of Spices Realty, LLC (“HoS”). The principal amount of the Promissory Note is $3,600,000 with a maturity date of January 30, 2014, and is subject to certain cancellation provisions set forth in the Promissory Note. If the release conditions are satisfied prior to the Maturity Date, NYCEDC shall mark the Promissory Note “Cancelled” and return it to HoS, and thereafter HoS shall have no further obligation. As collection under the Promissory Note is contingent on the release conditions not being met, the Corporation has concluded that it would be inappropriate to recognize revenue under this agreement.

18. Risk Management

NYCEDC is exposed to various risks of loss-related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NYCEDC carries commercial insurance coverage for these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

19. Net Position

In order to present the financial condition and operating results of NYCEDC in a manner consistent with limitations and restrictions placed upon the use of resources, NYCEDC classifies its net position into three categories, net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets includes capital assets net of accumulated depreciation used in NYCEDC’s operations. The restricted net position includes net position that has been restricted in use in accordance with the terms of an award or agreement (other than the net position generally available for City program activities under the NYCEDC Master Contract and the NYCEDC Maritime Contract) or by law. The unrestricted net position includes all net position not included above. The NYCEDC Master Contract and the NYCEDC Maritime Contract limit the use of all unrestricted net position to City program activities except for unrestricted net position resulting from income self-generated by NYCEDC provided that NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC’s unrestricted net position exceed $7,000,000 (see Note 3).

19. Net Position (continued)

Changes in Net Position

The changes in net position during fiscal years 2013 and 2012 are as follows:

	Restricted	Unrestricted	Net Investment in Capital Assets	Total
Net position, June 30, 2011	$ 85,135,903	$ 221,928,945	$ 4,301,642	$ 311,366,490
Increase in net position	6,570,988	9,523,743	–	16,094,731
Capital assets additions	–	(7,680,820)	7,680,820	–
Retirements/depreciation	–	1,459,097	(1,459,097)	–
Net position, June 30, 2012	91,706,891	225,230,965	10,523,365	327,461,221
(Decrease) increase in net position	**2,567,969**	**(6,026,030)**	–	**(3,458,061)**
Capital assets additions	–	**(5,951,652)**	**5,951,652**	–
Retirements/depreciation	–	**1,859,866**	**(1,859,866)**	–
Net position, June 30, 2013	**$ 94,274,860**	**$ 215,113,149**	**$ 14,615,151**	**$ 324,003,160**

20. Superstorm Sandy

Superstorm Sandy ("Sandy") made landfall in New York City on October 28, 2012. The severe and widespread water and wind damages affected many individuals, businesses and organizations. Many City assets which are managed, maintained, and/or leased by NYCEDC were directly impacted by Sandy. Affected assets primarily included waterfront facilities, wharfs, and public markets, all of which are managed by NYCEDC pursuant to the Master and Maritime Contracts. NYCEDC has and will continue to remediate, clean-up, and restore these properties to pre-storm conditions. Sandy related expenses incurred during the fiscal year totaled to $19,954,533 and were recorded as non-operating expenses. Property and flood insurance coverage were in effect for certain properties, and claim payments totaling $17,142,808 were received from insurers and recorded as non-operating revenues. Additional non-operating revenue of $4,446,196 has been recognized pursuant to reimbursable grants from two federal agencies, Federal Transportation Agency ("FTA") and Federal Emergency Management Agency ("FEMA"). Due to the severity of the damage, many anticipated costs have yet to be incurred. The restoration work will continue to progress, and this activity is expected to be captured in the coming fiscal years, which will reverse the surplus of non-operating income received in the fiscal year ended June 30, 2013.

Required Supplementary Information

New York City Economic Development Corporation
(a component unit of The City of New York)

Schedule of Funding Progress for the Retiree Health Care Plan

(Dollars in Thousands)

Actuarial Valuation Date	**Actuarial Value of Assets (a)**	**Actuarial Accrued Liability (AAL) – Level Dollar (b)**	**Unfunded AAL (UAAL) (b-a)**	**Funded Ratio (a/b)**	**Covered Payroll (c)**	**UAAL as a Percentage of Covered Payroll (b-a)/c**
6-30-2012[2]	–	$ 23,502	$ 23,502	0%	$ 35,243	66.7%
6-30-2010 [1][2]	–	23,960	23,960	0%	34,542	69.4%
6-30-2008[2]	–	41,316	41,316	0%	30,645	134.8%

(1) Effective July 1, 2011, the plan was amended to include revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. These amendments significantly reduced the number of current and future employees eligible for this benefit and resulted in an overall reduction in the actuarial accrued liability ("AAL") at June 30, 2013.

(2) For the 6-30-12 actuarial valuation, the actuarial assumptions includes a 3.5% discount rate and an annual healthcare cost trend rate of 9.5% for non-Medicare and 7.5% for Medicare grading down to an ultimate rate of 4.5% for both. For the previous actuarial valuations, the actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9% grading down to an ultimate rate of 5%.

Supplementary Information

New York City Economic Development Corporation

(a component unit of The City of New York)

Combining Statement of Revenues, Expenses and Changes in Net Position

		Restricted									Year Ended June 30	
	Unrestricted	Brooklyn Army	Maritime	Other Properties	Finance Programs	Capital Programs	Public Purpose and Other	CDBG	Apple 42nd Street	Total Restricted	2013	2012
Operating revenues:												
Grants	$ 84,904,469	$ –	$ –	$ –	$ –	$ 516,001,167	$ –	$10,565,636	$ –	$ 526,566,803	**$ 611,471,272**	$ 497,777,631
Property rentals	41,301598	18,776,627	70,814,131	5,025,803	–	–	–	–	35,445,434	130,061,995	**171,363,593**	140,388,670
Power sales	–	–	–	–	–	–	945,530	–	–	945,530	**945,530**	49,198,827
Fee income	17,264,975	28,035	26,001	7,782	30	–	7,863	–	1,146,101	1,215,812	**18,480,787**	13,143,638
Other income – 42nd Street Development Project	4,483,728	–	–	–	–	–	–	–	–	–	**4,483,728**	12,879,709
Other income	4,297,809	3,802,644	3,670,450	53,759	702,237	–	4,250,351	–	515,240	12,994,681	**17,292,490**	26,531,175
Real estate sales, net	31,247,934	–	–	–	–	–	–	–	–	–	**31,247,934**	32,031,472
Total operating revenues	183,500,513	22,607,306	74,510,582	5,087,344	702,267	516,001,167	5,203,744	10,565,636	37,106,775	671,784,821	**855,285,334**	771,951,122
Operating expenses:												
Project costs	88,645,262	–	–	4,335,640	–	–	2,906,214	9,351,485	–	16,593,339	**105,238,601**	88,624,799
Program costs	–	–	–	–	596,437	516,001,167	–	–	–	516,597,604	**516,597,604**	409,130,543
Property rentals and related operating expenses	5,790,710	10,142,285	24,341,433	3,763,305	–	–	–	–	2,284,339	40,531,362	**46,322,072**	45,085,542
Utility expenses	–	–	–	–	–	–	1,124,654	–	–	1,124,654	**1,124,654**	48,785,219
Personnel services	12,013,648	753,063	31,988,509	–	141,532	–	260,133	1,030,064	–	34,173,301	**46,186,949**	46,612,829
Office rent	8,309,369	–	–	–	–	–	–	–	–	–	**8,309,369**	7,964,299
Contract and other expenses to The City	73,815,488	–	16,718,140	30,636	–	–	–	–	33,878,223	50,626,999	**124,442,487**	99,668,725
Other general expenses	9,114,095	293,887	1,469,091	43,863	45,052	–	995,543	184,087	307,273	3,338,796	**12,452,891**	10,651,450
Total operating expenses	197,688,572	11,189,235	74,517,173	8,173,444	783,021	516,001,167	5,286,544	10,565,636	36,469,835	662,986,055	**860,674,627**	756,523,406
Operating income (loss)	(14,188,059)	11,418,071	(6,591)	(3,086,100)	(80,754)	–	(82,800)	–	636,940	8,798,766	**(5,389,293)**	15,427,716
Non-operating revenues: (expenses):												
Income from investments	289,709	–	6,591-	2,641	(93,915)	–	28,918	–	62,817	7,052	**296,761**	667,015
Grants – Superstorm Sandy	4,446,196	–	–	–	–	–	–	–	–	–	**4,446,196**	–
Insurance proceeds	17,142,808	–	–	–	–	–	–	–	–	–	**17,142,808**	–
Emergency repairs and Other – Superstorm Sandy	(19,954,533)	–	–	–	–	–	–	–	–	–	**(19,954,533)**	–
Total non-operating revenues (expenses)	1,924,180	–	6,591	2,641	(93,915)	–	28,918	–	62,817	7,052	**1,931,232**	667,015
Income (loss) before transfers	(12,263,879)	11,418,071	–	(3,083,459)	(174,669)	–	(53,882)	–	699,757	8,805,818	**(3,458,061)**	16,094,731
Interfund transfers	6,237,849	(11,418,071)	–	–	4,874,979	–	1,005,000	–	(699,757)	(6,237,849)	**–**	–
Change in net position	(6,026,030)	–	–	(3,083,459)	4,700,310	–	951,118	–	–	2,567,969	**(3,458,061)**	16,094,731
Net position, beginning of year	235,754,330	500,000	7,000,000	10,747,547	50,940,604	3,012,072	19,506,668	–	–	91,706,891	**327,461,221**	311,366,490
Net position, end of year	$ 229,728,300	$ 500,000	$ 7,000,000	$ 7,664,088	$ 55,640,914	$ 3,012,072	$ 20,457,786	$ –	$ –	$ 94,274,860	**$ 324,003,160**	$ 327,461,221

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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*

Management and the Board of Directors
New York City Economic 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 Economic Development Corporation ("NYCEDC"), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2013, 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, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NYCEDC'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 NYCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the NYCEDC'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 NYCEDC'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, 2013

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