Financial Statements And Supplemental Information

New York City Industrial Development Agency
(A Component Unit of The City of New York)
Years Ended June 30, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

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

Financial Statements and Supplemental Information

Years Ended June 30, 2014 and 2013

Contents

I. Financial Section

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

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

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the New York City Industrial Development Agency (the "Agency"), a component unit of The City of New York, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 22, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control over financial reporting and compliance.

Ernst & Young LLP

September 22, 2014

Management's Discussion and Analysis

June 30, 2014

This section of the New York City Industrial Development Agency ("IDA" or the "Agency") annual financial report presents our discussion and analysis of financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

2014 Financial Highlights

- Unrestricted cash, cash equivalents and investments decreased $1,458,688 (or 3%)
- Current liabilities increased $13,635,535 (or 11%)
- Unrestricted net position decreased $1,656,946 (or 3%)
- Operating revenues increased $460,952 (or 7%)
- Operating expenses decreased $64,806 (or 1%)
- Operating income increased $525,758 (or 78%)
- Net nonoperating expenses decreased $4,378,829 (or 61%)

Overview of the Financial Statements

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

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

During the previous fiscal year, the Agency adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities,* ("GASB Statement No. 65"). The implementation of this new statement required the restatement of the Agency's financial statements at July 1, 2011. The effect of the restatement was the elimination of the bond issue costs and the related amortization expense, which were recorded in the statement of net position and the statement of revenues, expenses, and changes in net position, respectively.

Financial Analysis of the Agency

Net Position – The following table summarizes IDA's financial position at June 30, 2014, 2013, and 2012 ($ in thousands) and the percentage changes between June 30, 2014, 2013 and 2012:

				% Change	
	2014	**2013**	**2012**	**2014–2013**	**2013–2012**
Current assets	**$ 62,878**	$ 79,117	$ 76,529	**(21)%**	3%
Noncurrent assets	**1,877,701**	1,877,054	1,896,597	**–**	(1)
Total assets	**1,940,579**	1,956,171	1,973,126	**(1)**	(1)
Deferred outflows of resources	**11,938**	15,908	14,890	**(25)**	7
Current liabilities	**140,035**	126,399	110,655	**11**	14
Noncurrent liabilities	**1,763,427**	1,794,968	1,820,087	**(2)**	(1)
Total liabilities	**1,903,462**	1,921,367	1,930,742	**(1)**	(1)
Total net position	**$ 49,055**	$ 50,712	$ 57,274	**(3)%**	(11)%

During fiscal year 2014, current assets decreased by $16,238,661 or 21% as a result of reinvestment activities from short-term to long-term assets. Accordingly, noncurrent assets increased by $646,157.

In fiscal year 2013, current assets increased by $2,588,544 or 3% primarily as a result of the increase in the current portion of the lease receivable relating to the Yankee Stadium and Queens Ballpark Projects (the "Stadia Projects"). Noncurrent assets decreased by $19,542,349 or 1% primarily as a result of payments relating to the Stadia Projects.

In fiscal year 2014, unrestricted cash and unrestricted investments decreased by $1,458,688 or 3% primarily as a result of ongoing disbursements for board approved special projects.

In fiscal year 2013, unrestricted cash and unrestricted investments decreased by $6,112,573 or 11% primarily as a result of the special project disbursements totaling $4,000,000 relating to the Hurricane Emergency Loan Program ("HELP").

In fiscal year 2014, total current liabilities increased by $13,635,535 or 11% mainly due to an increase of the accreted interest payable by $12,343,756 relating to the PILOT Revenue Bonds Series 2009A (Yankee Stadium Project).

In fiscal year 2013, total current liabilities increased by $15,744,820 or 14 % primarily as a result of the increase of the accreted interest payable by $13,472,286 relating to the PILOT Revenue Bonds Series 2009A (Yankee Stadium Project).

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

The Agency's net position decreased by $6,561,533 or 11% in fiscal year 2013 primarily as a result of the special project disbursements totaling $4,000,000 relating to the HELP program and a decrease in the ESDC Liberty Bonds project finance fees.

Operating Activities

The Agency assists industrial, commercial and not-for-profit organizations in obtaining long-term, low-cost financing for capital assets through a financing transaction (the "Financing Transaction"), which includes the issuance of double and triple tax-exempt bonds. In addition, the Agency also assists participants through a "straight lease" structure which provides tax benefits to participants to incentivize the acquisition and capital improvement of their facilities. Whether the Agency issues tax-exempt bonds on behalf of project companies or merely enters into a straight lease, the Agency may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment. During the years ended June 30, 2014 and 2013, IDA did not issue any tax exempt bonds.

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

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

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

The following table summarizes IDA's changes in net position for fiscal years 2014, 2013, and 2012 ($ in thousands) and the percentage changes between June 30, 2014, 2013 and 2012:

				% Change	
	2014	**2013**	**2012**	**2014–2013**	**2013–2012**
Operating revenues:					
Fee income	**$ 6,747**	$ 4,544	$ 14,603	**48%**	(69)%
Other income	**673**	2,415	454	**(72)**	432
Total operating revenues	**7,420**	6,959	15,057	**7**	(54)
Operating expenses:					
Management fees	**6,052**	6,052	6,052	**–**	–
Other expenses	**166**	231	253	**(28)**	(9)
Total operating expenses	**6,218**	6,283	6,305	**(1)**	–
Operating income	**1,202**	676	8,752	**78**	(92)
Nonoperating revenues (expenses):					
Earnings on investments	**54**	82	139	**(34)**	(41)
Special project costs	**(2,913)**	(7,320)	(2,255)	**(60)**	225
PILOT lease income	**96,819**	97,489	103,635	**(1)**	(6)
PILOT investment income	**2,861**	3,463	2,628	**(17)**	32
Bond interest expense	**(99,680)**	(100,952)	(106,263)	**(1)**	(5)
Total nonoperating revenues (expenses)	**(2,859)**	(7,238)	(2,116)	**(61)**	242
Change in net position	**(1,657)**	(6,562)	6,636	**75**	(199)
Beginning net position	**50,712**	57,274	50,638	**(11)**	13
Ending net position	**$ 49,055**	$ 50,712	$ 57,274	**(3)**	(11)

In fiscal year 2014, fee income increased by $2,203,018 or 48%. This is primarily a result of the increase in project finance fees collected from one transaction.

In fiscal year 2013, fee income decreased by $10,059,027 or 69%. This is primarily a result of the decrease in fees collected from the ESDC Liberty Project Bonds in the amount of $12,282,967.

In fiscal year 2014, other operating income decreased by $1,742,066 or 72%. This is a result of a general decrease in income from recapture benefits during the year.

In fiscal year 2013, other operating income increased by $1,961,378 or 432%. This is a result of the increase in recapture benefits from one organization and other recapture amounts.

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

Total operating expenses decreased by $21,164 in fiscal year 2013 or 0.3%. This is primarily a result of a decrease in consulting fees relating to operational enhancements.

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

Special project costs increased by $5,064,075 or 225% in fiscal year 2013 due to $4,000,000 in HELP project costs and the completion of several projects during the current fiscal year.

Contacting the Agency's Financial Management

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

New York City Industrial Development Agency

(A Component Unit of The City of New York)

Statements of Net Position

	June 30 2014	June 30 2013
Assets		
Current assets:		
Cash and cash equivalents *(Note 3)*	**$ 19,831,760**	$ 2,056,452
Investments *(Note 3)*	**14,188,370**	49,682,049
Restricted cash *(Note 3)*	**3,839,823**	3,836,218
Fees receivable, net of allowance for doubtful accounts of $13,512 and $19,627, respectively	**76,228**	63,777
PILOT lease receivable, net *(Note 7)*	**24,942,103**	23,478,449
Total current assets	**62,878,284**	79,116,945
Noncurrent assets:		
Investments (*Note 3*)	**16,259,683**	–
Restricted cash and cash equivalents– stadia projects (*Note 3*)	**61,300,369**	53,753,531
Restricted investments – stadia projects (*Note 3*)	**86,418,338**	86,739,592
PILOT lease receivable, net (*Note 7*)	**1,713,722,285**	1,736,561,395
Total noncurrent assets	**1,877,700,675**	1,877,054,518
Total assets	**1,940,578,959**	1,956,171,463
Deferred outflows of resources:		
Derivative instrument – interest rate swap *(Note 6)*	**11,938,485**	15,908,362
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**62,956**	63,621
Due to New York City Economic Development Corporation	**870,829**	672,067
Bonds payable – current	**24,942,103**	23,478,449
Interest payable on bonds	**109,952,059**	97,994,492
Unearned revenues	**367,164**	354,552
Other liabilities	**3,839,823**	3,836,218
Total current liabilities	**140,034,934**	126,399,399
Noncurrent liabilities:		
Bonds payable, net (*Note 5*)	**1,751,488,933**	1,779,060,026
Derivative instrument – interest rate swap *(Note 6)*	**11,938,485**	15,908,362
Total noncurrent liabilities	**1,763,427,418**	1,794,968,388
Total liabilities	**1,903,462,352**	1,921,367,787
Net position – unrestricted	**$ 49,055,092**	$ 50,712,038

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30 2014	2013
Operating revenues:		
Fee income (Note 2)	**$ 6,746,719**	$ 4,543,701
Recapture and other related benefits (Note 2)	**634,335**	2,391,827
Other income (Note 2)	**38,882**	23,456
Total operating revenues	**7,419,936**	6,958,984
Operating expenses:		
Management fees *(Note 4)*	**6,052,117**	6,052,117
Accounting fees	**55,000**	48,303
Consulting fees	**23,023**	37,073
Public hearing expenses	**67,993**	116,012
Marketing/advertising	**11,713**	10,448
Provision for bad debt	–	15,141
Other expenses	**8,439**	3,997
Total operating expenses	**6,218,285**	6,283,091
Operating income	**1,201,651**	675,893
Nonoperating revenues (expenses):		
Investment income	**54,014**	82,121
Special project costs *(Note 8)*	**(2,912,611)**	(3,319,547)
Special project costs – HELP *(Note 8)*	–	(4,000,000)
PILOT lease income	**96,818,736**	97,489,287
PILOT investment income	**2,860,978**	3,462,485
Bond interest expense	**(99,679,714)**	(100,951,772)
Total nonoperating revenues (expenses)	**(2,858,597)**	(7,237,426)
Change in net position	**(1,656,946)**	(6,561,533)
Net position, unrestricted, beginning of year	**50,712,038**	57,273,571
Net position, unrestricted, end of year	**$ 49,055,092**	$ 50,712,038

See accompanying notes.

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

Statements of Cash Flows

	Year Ended June 30 2014	2013
Operating activities		
Financing and other fees	**$ 6,752,993**	$ 4,465,702
Other income	**22,677**	26,896
Management fees paid	**(6,052,117)**	(6,052,117)
Consulting fees paid	**(37,130)**	(6,745)
Accounting fees paid	**(60,265)**	(44,857)
Public hearing fees paid	**(61,123)**	(95,956)
Marketing fees paid	**(14,409)**	(7,361)
Miscellaneous expenses paid	**(6,990)**	(2,616)
Funds held pending compliance with agreements	**662,276**	3,087,153
Recapture benefits and other penalties received	**4,620,652**	2,362,722
Payment to NYC and other agencies of recaptured benefits	**(3,881,183)**	(2,120,106)
Refund of recapture benefits	**(753,811)**	–
Payment to EDC for contingency fees	**–**	(1,359)
Other	**–**	6,000
Net cash provided by operating activities	**1,191,570**	1,617,356
Investing activities		
Sale of investments	**380,271,041**	392,421,280
Purchase of investments	**(360,667,246)**	(397,401,965)
Net receipts from investment agreement termination	**3,142,752**	–
Investment income	**2,860,978**	3,263,265
Interest income	**5,564**	82,121
Net cash provided by (used in) investing activities	**25,613,089**	(1,635,299)
Capital and related financing activities		
Interest payments on outstanding bonds	**(84,438,953)**	(85,373,389)
Bond principal redemption	**(23,478,449)**	(21,921,845)
Swap payments received	**4,384,259**	5,159,239
Swap payments made	**(8,100,758)**	(8,100,758)
Bond fees	**(2,195,685)**	(2,189,228)
PILOT revenue	**115,051,440**	113,655,647
Net cash provided by capital and related financing activities	**1,221,854**	1,229,666
Noncapital financing activities		
Special projects	**(2,700,762)**	(7,140,973)
Net cash used in noncapital financing activities	**(2,700,762)**	(7,140,973)
Net increase (decrease) in cash and cash equivalents	**25,325,751**	(5,929,250)
Cash and cash equivalents at beginning of year	**59,646,201**	65,575,451
Cash and cash equivalents at end of year	**$ 84,971,952**	$ 59,646,201

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

Statements of Cash Flows (continued)

	Year Ended June 30 2014	2013
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 1,201,651**	$ 675,893
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Fees receivable	**(12,451)**	38,100
Accounts payable and accrued expenses	**(665)**	(13,443)
Due to NYC Economic Development Corp.	**(13,084)**	50,383
Other liabilities	**3,507**	943,941
Unearned revenues	**12,612**	(77,518)
Net cash provided by operating activities	**1,191,570**	1,617,356
Supplemental disclosures of noncash activities:		
Unrealized loss on investments	**$ (443,954)**	$ (442,501)

See accompanying notes.

1. Background and Organization

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

The Agency assists industrial, commercial and not-for-profit organizations in obtaining long-term, low-cost financing for capital assets through a financing transaction (the "Financing Transaction"), which includes the issuance of double and triple tax-exempt industrial development bonds ("IDBs"). The participating organizations (the "Beneficiaries"), in addition to satisfying legal requirements under the Agency's governing laws, must meet certain economic development criteria, the most important of which is job creation and/or retention. In addition, the Agency assists participants through "straight lease" structures. The straight lease provides tax benefits to the participants to incentivize the acquisition and capital improvement of their facilities. Whether the Agency issues IDBs or merely enters into a straight lease, the Agency may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes ("PILOT") that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment.

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

1. Background and Organization (continued)

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

The total conduit debt obligations outstanding totaled $6,269,170,848 and $6,842,523,048 for the years ended June 30, 2014 and 2013, respectively.

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

In addition to IDB financing, the Agency also issued Tax Exempt PILOT Revenue Bonds, Taxable Rental Revenue Bonds, Taxable Installment Purchase Bonds and Taxable Lease Revenue Bonds in connection with the construction of the new Yankee Stadium and Citi Field (the "Stadia Projects"). Yankee Stadium, LLC, a Delaware limited liability company, and Queens Ballpark, LLC, a New York limited liability company, undertook the design, development, acquisition and construction of the Stadia Projects. The Taxable Bonds are special limited obligations of the Agency and are payable solely from revenues derived from a Lease Agreement with Yankee Stadium, LLC and a Lease Agreement and Installment Sales Agreement with Queens Ballpark Company, LLC and as such have no financial impact on the Agency's overall financial position or results of operations and, accordingly, are given no accounting recognition in the accompanying financial statements.

1. Background and Organization (continued)

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Cash Equivalents

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

2. Summary of Significant Accounting Policies (continued)

Recently Adopted GASB 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 implementation of this standard did not have an impact on the Agency's financial statements.

In April 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 implementation of this standard did not have an impact on the Agency's financial statements.

Upcoming Accounting Pronouncements

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 implementation of this standard will not have an impact on the Agency's financial statements.

2. Summary of Significant Accounting Policies (continued)

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 government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The implementation of this standard will not have an impact on the Agency's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68*, ("GASB No. 71"). The objective of this Statement is to address an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of this standard will not have an impact the Agency's financial statements.

Revenue and Expense Classification

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

Other operating income represents administrative fees and penalties associated with the recapture of IDA benefits remitted by certain beneficiaries. Recaptured IDA benefits represent the difference between the full tax amount and the amounts actually paid by beneficiaries and result from a beneficiary's violation of an IDA agreement. Recaptured benefits were recorded net of amounts due to the City and recorded as other liabilities until such time as they were disbursed to the City. For the year ended June 30, 2014, IDA remitted $3,881,183 to the City and other agencies relating to these recapture benefits, of which $2,432,230 was remitted to the City. For the year ended June 30, 2013, IDA remitted $2,120,106 to the City and other agencies relating to these recapture benefits, of which $2,015,690 was remitted to the City. IDA's operating expenses include management fees and other administrative expenses. All other revenues and expenses not described above are considered non-operating.

2. Summary of Significant Accounting Policies (continued)

Bond Premium, Discount, and Other Bond Related Costs

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

3. Cash and Investments

Cash

At year-end, IDA’s unrestricted bank balance was $3,079,552. Of this amount, $250,000 was covered by the Federal Depository Insurance Corporation (“FDIC”) and $2,829,552 was collateralized with securities held by the pledging financial institution in IDA’s name.

At year end, IDA’s restricted bank balance, excluding the Stadia Projects, was $3,728,688. Of this amount, $834,989 was covered by the FDIC and $2,731,460 was collateralized with securities held by the pledging financial institution in IDA’s name. The remaining balance was uncollateralized at June 30, 2014.

3. Cash and Investments (continued)

Investments

As of June 30, 2014 and 2013, the Agency had the following investments. Investments maturities are shown for June 30, 2014, only (in thousands).

	Fair Value		2014 Investment Maturities (In Years)	
	2014	**2013**	**Less Than 1**	**1 to 2**
Money Market & Mutual Funds	**$ 16,847**	$ 564	**$ 16,847**	**$ –**
Federal National Mort. Assn. Notes	**8,806**	9,831	–	**8,806**
Federal Home Loan Mort. Corp. Notes	**7,202**	14,193	**3,232**	**3,970**
Certificates of Deposit	**1,537**	1,778	**1,058**	**479**
Federal Home Loan Bank Notes	**9,903**	9,255	**6,898**	**3,005**
Commercial Paper	**3,000**	14,625	**3,000**	–
Restricted cash equivalents – stadia projects	**42,199**	34,991	**42,199**	–
Restricted investments – stadia projects	**86,418**	86,739	–	**86,418**
Total	**175,912**	171,976	**$ 73,234**	**$ 102,678**
Less investments classified as cash equivalents, restricted cash equivalents – stadia projects and restricted investments – stadia projects	**(145,464)**	(122,294)		
Total investments	**$ 30,448**	$ 49,682		

IDA's investment policy permits the Agency to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations guaranteed by agencies of the United States of America. Other investments include short term commercial paper, certificates of deposit, and time deposits. All investments are carried at fair value based on quoted market prices, other than certificates of deposit, which are valued at cost. All investments are either insured or registered and held by the Agency or its agent in the Agency's name.

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

3. Cash and Investments (continued)

Credit Risk: It is the Agency's policy to limit its investments in debt securities to obligations of the United States of America and its agencies, and obligations of the State of New York. As of June 30, 2014, the Agency's investments in Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Investments in commercial paper were rated in the highest short-term category by two major rating agencies (A-1+ by Standard & Poor's, and P-1 by Moody's). Money market and mutual funds are not rated.

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

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

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

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2014		**June 30, 2013**	
Federal Home Loan Bank	**$ 9,903**	**32.52%**	$ 9,255	18.63%
Federal Home Mortgage Assn.	**8,806**	**28.92**	9,831	19.79
Federal Home Loan Mortgage Corp.	**7,202**	**23.65**	14,193	28.57
G.E. Capital Corp.	**3,000**	**9.85**	–	–
Coca Cola Co.	**–**	**–**	2,999	6.04
Nestle Finance France SA	**–**	**–**	2,498	5.02

3. Cash and Investments (continued)

Restricted Cash Equivalents and Investments – Stadia Projects

Restricted cash, cash equivalents and investments, related to the Stadia Projects, are segregated and designated for purposes of the debt reserve fund and to pay future bond interest and principal payments. These investments are managed by an external investment portfolio manager. Qualified investments, as defined in the bond agreements, are made under the direction of the Agency. Under the bond agreements, the Agency does not have any obligation to make further contributions to the Stadium Construction Funds. Accordingly, the Agency's financial responsibility will not exceed the amounts originally deposited in the managed investment portfolio. Therefore, the Agency's obligation is not affected by various risks which include credit risk, interest rate risk and concentration of credit risk. In addition, the restricted investments are not required to be administered in accordance with the Agency's or New York State investment guidelines.

4. Management Fees and Other Charges

To support the activities of the Board of Directors, the Agency annually enters into a contract with the NYCEDC. Under the terms set forth in the NYCEDC and IDA Agreement, NYCEDC is to provide IDA with all the professional, administrative and technical assistance it needs to accomplish its objectives. These services include comprehensive financial management, processing and presentation of projects to the Board of Directors, and project compliance monitoring.

The fixed annual fee for these services is based on an agreement between NYCEDC and the Agency. Such fees amounted to $6,052,117 for the each of the years ended June 30, 2014 and 2013.

5. Bonds Payable

The changes in outstanding Series 2006 and Series 2009 Tax Exempt PILOT Bonds are summarized as follows (in thousands):

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

Description	Bonds Outstanding June 30, 2012	New Bond Issuances	Matured/ Called/ Redeemed	Bonds Outstanding June 30, 2013	Amount Due Within One Year
Queens Baseball Stadium Project:					
Series 2006 PILOT Bonds, 3.6% to 5%, due 2046	$ 530,715	**$** –	$ 6,075	$ 524,640	$ 6,380
Series 2009 PILOT Bonds, 4.0% to 6.50%, due 2046	80,330	–	745	79,585	775
Yankee Stadium Project:					
Series 2006 PILOT Revenue Bonds, 3.6% to 5%, due 2046	701,580	–	12,350	689,230	12,970
Series 2006 CPI Bonds, 3.2% to 3.5%, due 2027	198,120	–	–	198,120	
Series 2009 Capital Appreciation Bonds, 4.03% to 7.90%, due 2047	63,428	–	2,752	60,676	3,353
Series 2009 Current Interest Term Bonds, 7.00%, due 2049	191,960	–	–	191,960	–
Total	1,766,133	**$** –	$ 21,922	1,744,211	$ 23,478
Net premium (discount)	60,986			58,327	
Bonds payable, net	$ 1,827,119			$ 1,802,538	

5. Bonds Payable (continued)

Queens Baseball Stadium Project

On August 22, 2006, IDA issued Tax Exempt PILOT Bonds (Queens Baseball Stadium Project) Series 2006 in the amount of $547,355,000 (the "PILOT Bonds") for the purpose of financing the design, development, acquisition, construction, and equipping a Major League Baseball Stadium to be used by the New York Mets professional baseball team, the improvement of certain parking facilities, and the demolition of Shea Stadium (collectively the "Project"), funding the capitalized interest funds, to purchase debt service reserve credit facilities, and to pay for bond issuance costs. The PILOT Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Queens Ballpark Company, L.L.C. pursuant to the PILOT Agreement dated August 1, 2006, and certain funds and accounts held under the PILOT Bonds Indenture. Payment of the principal and interest on the PILOT Bonds is insured by an insurance policy from Ambac Assurance Corporation. No other funds or assets of IDA are pledged towards the payment of such bonds. The original issue premium of $20,632,088 is being amortized over the life of the Series 2006 bonds.

At June 30, 2014 and 2013, $518,260,000 and $524,640,000, respectively, of the Series 2006 Bonds remained outstanding. The Series 2006 Bonds bear interest at fixed rates to the maturity thereof, payable semiannually each January 1 and July 1, commencing January 1, 2007.

On February 5, 2009, IDA issued additional Tax Exempt PILOT Bonds (Queens Baseball Stadium Project) Series 2009 in the amount of $82,280,000 (the "PILOT Bonds") for the purpose of financing the completion of a Major League Baseball Stadium to be used by the New York Mets professional baseball team, the improvement of certain parking facilities, and the demolition of Shea Stadium (collectively the "Project") (see Note 7), funding the capitalized interest funds, to purchase debt service reserve credit facilities, and to pay for bond issuance costs. The PILOT Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Queens Ballpark Company, L.L.C. pursuant to the PILOT Agreement dated August 1, 2006, and certain funds and accounts held under the PILOT Bonds Indenture. Payment of the principal and interest on the PILOT Bonds is insured by an insurance policy from Assured Guaranty Corp. No other funds or assets of IDA are pledged towards the payment of such bonds. The original issue discount of $1,212,774 is being amortized over the life of the Series 2009 bonds.

5. Bonds Payable (continued)

At June 30, 2014 and 2013, $78,810,000 and $79,585,000, respectively, of the Series 2009 Bonds remained outstanding. The Series 2009 Bonds bear interest at fixed rates to the maturity thereof, payable semiannually each January 1 and July 1, commencing July 1, 2009.

Yankee Stadium Project

On August 22, 2006, IDA issued Tax Exempt PILOT Revenue Bonds (Yankee Stadium Project) Series 2006 in the amount of $942,555,000, which consist of the PILOT Revenue Bonds and the CPI Bonds in the amount of $744,435,000 and $198,120,000, respectively, for the purpose of paying a portion of the design, development, acquisition, construction, and fitting out of a Major League Baseball Stadium located in the Bronx, New York to be used by the New York Yankees Major League Baseball team and to pay for various bond issuance costs. The PILOT Revenue Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Yankee Stadium LLC pursuant to the PILOT Agreement dated August 1, 2006, and certain funds and accounts held under the PILOT Bonds Indenture. Payment of principal and interest on the PILOT Revenue Bonds maturing on September 1, 2009, March 1, 2010 through and including March 1, 2015, March 1, 2023, March 1, 2024, March 1, 2036, and certain related bonds maturing on March 1, 2046 is insured by an insurance policy from MBIA Insurance Corporation. Payment of principal and interest on the PILOT Revenue Bonds maturing on March 1, 2016 through and including March 1, 2022, March 1, 2025 through and including March 1, 2028, March 1, 2031, March 1, 2039, and certain bonds maturing on March 1, 2046 is insured by an insurance policy from Financial Guaranty Insurance Company. No other funds or assets of IDA are pledged towards the payment of such bonds.

The original issue premium of $23,613,578 is being amortized over the life of the Series 2006 bonds.

The CPI Bonds will pay interest to the bondholders on the first business day of each month beginning October 2, 2006 with funds provided by Goldman Sachs Capital Markets LP (“GSCM”) according to the Swap agreement between IDA and GSCM, dated August 16, 2006. On September 21, 2008, Goldman Sachs Bank USA became the successor to GSCM. Funds from the IDA capitalized interest account will be used to reimburse Goldman Sachs Bank USA at the fixed swap interest rates every March 1 and September 1, beginning March 1, 2007. The average fixed swap interest rate for the years ended June 30, 2014 and 2013 was 4.07%. The average CPI Swap interest rates for the years ended June 30, 2014 and 2013 were 2.28% and 2.49%, respectively.

5. Bonds Payable (continued)

Interest on the Series 2006 PILOT Revenue bonds, excluding the CPI Bonds, are payable on March 1 and September 1, in each year, beginning March 1, 2007. At June 30, 2014 and 2013, $874,380,000 and $887,350,000, respectively, of the Series 2006 Revenue Bonds remained outstanding.

On February 5, 2009, IDA issued additional Tax Exempt PILOT Revenue Bonds (Yankee Stadium Project) Series 2009 in the amount of $258,999,945, which consist of the PILOT Capital Appreciation Bonds and the PILOT Current Interest Term Bonds in the amount of $67,039,945 and $191,960,000, respectively, for the purpose of completion of a Major League Baseball Stadium located in the Bronx, New York to be used by the New York Yankees Major League Baseball team and to pay for various bond issuance costs. The PILOT Revenue Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Yankee Stadium LLC pursuant to the PILOT Agreement dated August 1, 2006 and certain funds and accounts held under the PILOT Bonds Indenture. Payment of the principal and interest on the PILOT Bonds is insured by an insurance policy from Assured Guaranty Corp. No other funds or assets of IDA are pledged towards the payment of such bonds. The original issue premium of $31,279,722 is being amortized over the life of the Series 2009 bonds.

At June 30, 2014 and 2013, $249,283,322 and $252,636,771, respectively, of the Series 2009 Bonds remained outstanding. The Series 2009 Capital Appreciation Bonds accrete interest, payable only upon maturity or prior redemption. The Series 2009 Current Interest Term Bonds bear interest at a fixed rate of 7.0% to the maturity thereof, payable each September 1 and March 1, commencing September 1, 2009.

5. Bonds Payable (continued)

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

Year Ended June 30	Principal	Interest	Total
2015	$ 24,942	$ 98,706	$ 123,648
2016	25,228	95,421	120,649
2017	26,408	95,980	122,388
2018	27,105	94,387	121,492
2019	27,744	92,744	120,488
2020–2024	151,445	437,835	589,280
2025–2029	181,384	389,742	571,126
2030–2034	227,681	329,701	557,382
2035–2039	290,326	257,229	547,555
2040–2044	370,815	169,606	540,421
2045–2049	367,655	61,640	429,295
Total	$ 1,720,733	$ 2,122,991	$ 3,843,724

5. Bonds Payable (continued)

Swap Payments and Associated Debt

The table that follows represents debt service payments on the CPI Bonds, plus the net swap payments associated with those bonds, as of June 30, 2014. The below amounts are included in the above required debt payment table. Although interest rates on variable rate debt change over time, the calculations included in the table below are based on the assumption that the variable rate on June 30, 2014 remains constant over the life of the bonds (in thousands):

	CPI Bonds		Fixed	
Year Ended June 30	**Principal Maturities**	**CPI Interest**	**Interest Rate Swaps, Net**	**Total**
2015	$ –	$ 5,483	$ 2,618	$ 8,101
2016	13,135	5,368	2,564	21,067
2017	13,650	5,138	2,455	21,243
2018	14,195	4,776	2,282	21,253
2019	14,765	4,395	2,101	21,261
2020–2024	83,435	15,541	7,440	106,416
2025–2028	58,940	3,390	1,628	63,958
Total	$ 198,120	$ 44,091	$ 21,088	$ 263,299

6. Derivative Instruments

Objectives of the Swaps

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

6. Derivative Instruments (continued)

In accordance with GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the fair value of the derivative instrument liability and the corresponding deferred outflow of resources were $11.9 million and $15.9 million at June 30, 2014 and 2013, respectively.

Terms, Fair Values, and Credit Risk

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

6. Derivative Instruments (continued)

The following table displays the terms of the Agency's hedging derivative instruments outstanding at June 30, 2014:

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

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

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

6. Derivative Instruments (continued)

The fair value balance and notional amounts of derivative instruments outstanding, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2014 financial statements are as follows (in thousands):

	Change in Fair Value		Fair Value at June 30, 2014		Notional
	Classification	Amount	Classification	Amount	Amount
Cash flow hedges					
Pay fixed swaps:					
nuus6085p	Deferred inflow of resources	$ 315	Debt	$ (353)	$ 13,135
nuus6085q	Deferred inflow of resources	328	Debt	(500)	13,650
nuus6085r	Deferred inflow of resources	326	Debt	(633)	14,195
nuus6085s	Deferred inflow of resources	307	Debt	(768)	14,765
nuus6085t	Deferred inflow of resources	292	Debt	(879)	15,360
nuus6085u	Deferred inflow of resources	291	Debt	(983)	15,995
nuus6085v	Deferred inflow of resources	306	Debt	(1,084)	16,655
nuus6085w	Deferred inflow of resources	324	Debt	(1,179)	17,350
nuus6085x	Deferred inflow of resources	345	Debt	(1,269)	18,075
nuus6085y	Deferred inflow of resources	361	Debt	(1,357)	18,835
nuus6085z	Deferred inflow of resources	381	Debt	(1,422)	19,630
nuus6086	Deferred inflow of resources	394	Debt	(1,511)	20,475
		$ 3,970		$ (11,938)	

Credit Risk

The swap agreements contain collateral agreements with the counterparty. The counterparty only posts collateral if (i) the rating of Goldman Sachs Bank falls to BBB+ or Baa1 or below from either of Moody's or S&P and (ii) the market value of the swap transactions covered by the credit support annex is in favor of the Agency in an amount that exceeds the threshold amount and the minimum transfer amount. Collateral that is posted can be cash, treasuries or agencies (FNMA, GNMA and FHLMC). This protects the Agency by mitigating the credit risk inherent in the swap. As of June 30, 2014, Goldman Sachs Bank USA is rated A by Standard and Poor's, A2 by Moody's, and A by Fitch Ratings. Additionally, the Agency is only obligated to pay as the counterparty to the extent of the receipt of PILOT revenues from Yankee Stadium LLC.

6. Derivative Instruments (continued)

Basis Risk

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

Interest Rate Risk

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

Termination Risk

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

7. PILOT Lease Receivable, Net

IDA has entered into various direct financing lease agreements with two commercial entities (Queens Ballpark Company, LLC and Yankee Stadium, LLC) relating to the issuance of PILOT Bonds payable. The PILOT Bonds were used to finance the previously noted Stadia Projects. The lease agreements provide for basic rental payments by the tenants to IDA in an amount equal to the debt service on the bonds. Pursuant to the terms of the agreements, the debt service on these bonds are payable solely from scheduled rental payments, and IDA has no legal obligation to make any debt service payments on the bonds. Although variable interest rates will change over time, the calculations included in the tables below are based on the assumption that the variable rate on June 30, 2014, remains constant over the life of the leases.

7. PILOT Lease Receivable, Net (continued)

At June 30, 2014 and 2013, the outstanding leases and the receivable amount were as follows:

	2014	2013
Queens Stadium Project, through 2046	**$ 1,203,573,648**	$ 1,245,877,075
Yankee Baseball Stadium Project, through 2049	**2,513,090,772**	2,589,499,890
Aggregate lease receivable – gross	**3,716,664,420**	3,835,376,965
Less: deferred interest	**(1,978,000,032)**	(2,075,337,121)
Aggregate lease receivable – net	**$ 1,738,664,388**	$ 1,760,039,844

The aggregate lease receipts due through 2019 and thereafter are as follows:

	Queens Stadium	Yankee Stadium	Total
2015	$ 43,850,000	$ 80,574,202	$ 124,424,202
2016	43,900,000	82,186,202	126,086,202
2017	43,900,000	83,831,196	127,731,196
2018	43,900,000	84,235,529	128,135,529
2019	43,950,000	84,237,081	128,187,081
2020–2024	220,150,000	321,177,224	541,327,224
2025–2029	221,100,000	321,173,575	542,273,575
2030–2034	222,250,000	321,178,258	543,428,258
2035–2039	223,900,000	321,179,998	545,079,998
2040–2044	225,900,000	347,876,776	573,776,776
2045–2049	68,300,000	415,633,086	483,933,086
	1,401,100,000	2,463,283,127	3,864,383,127
Less restricted cash, cash equivalents, and investments			(147,718,707)
			$ 3,716,664,420

7. PILOT Lease Receivable, Net (continued)

Lease payment receivable activity for the years ended June 30, 2014 and 2013, was as follows:

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

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013
Gross receivable	$ 3,950,510,591	$ –	$ (115,133,626)	$ 3,835,376,965
Less: deferred interest	2,174,304,388	–	(98,967,267)	2,075,337,121
Net receivable	$ 1,776,206,203	$ –	$ (16,166,359)	$ 1,760,039,844

8. Commitments and Contingencies

Pursuant to various approved agreements between IDA and NYCEDC, IDA was committed to fund 35 projects being performed by NYCEDC related to the City's Commerce and Industrial Development (the "Project Commitments"). Total Project Commitments under these agreements amounted to approximately $23.2 million with an outstanding obligation at June 30, 2014, of approximately $6.6 million. The Project Commitments, related approval dates, original and outstanding commitment balances are as follows:

8. Commitments and Contingencies (continued)

Project	Approval Date	Total Commitment	Total Expenditures	Current Total De-Obligate	Outstanding Commitment
Downtown Brooklyn Relocation Services	06/10/03	$ 650,000	$ 296,558	$ –	$ 353,442
Hunts Point Peninsula/Vision Plan	07/29/03	795,000	718,017	–	76,983
Hunts Point Produce Market	10/11/05	350,000	318,010	–	31,990
Willets Point Development Strategy	03/13/07	3,954,000	3,450,226	–	503,774
Hunts Point Food Distribution Center, Development Feasibility Studies	12/11/07	700,000	391,117	–	308,883
Harbor District Ferry Service Feasibility and Branding Initiative	03/11/09	590,058	535,848	–	54,210
Hunts Point Freight Rail and Anaerobic Digestion Study	09/15/09	131,705	81,705	–	50,000
Seward Park Development Project Engineering and Cost Analysis	12/14/10	500,000	387,896	–	112,104
Immigrant Entrepreneur Business Development Demonstration Program	04/12/11	600,000	191,643	–	408,357
Seward Park Mixed-Use Development Project	04/12/11	1,300,000	1,235,348	–	64,652
Water Street Feasibility Study	06/14/11	350,000	350,000	–	–
Lower Manhattan Business Expansion Competition	07/26/11	950,000	429,966	–	520,034
Harlem Incubator	02/14/12	500,000	191,420	–	308,580
Industrial Business Improvements Districts Development	04/10/12	300,000	280,999	–	19,001
Queens Kitchen Incubator	04/10/12	75,000	70,000	–	5,000
Hunts Point Terminal Produce Market	06/12/12	5,000,000	–	5,000,000	–
Illuminate Lower Manhattan	09/20/12	1,000,000	406,400	–	593,600
Open Industrial Uses Study	09/20/12	137,500	51,126	–	86,374
Artist as Entrepreneur	01/08/13	10,000	–	–	10,000
Curate NYC	01/08/13	60,000	60,000	–	–
NYC Generation Tech	01/08/13	100,000	55,000	–	45,000
New York’s Next Top Makers	01/08/13	530,000	118,988	–	411,012
City Wide Ferry Study & Environmental Assessment Services	02/13/13	600,000	500,227	–	99,773
MARSHES	02/13/13	500,000	447,793	–	52,207
Oil & Gas Supply Chain Study	02/13/13	60,000	10,000	–	50,000
Staten Island Incubator	04/09/13	250,000	107,000	–	143,000
LINK: Progress Networks	06/11/13	270,000	90,440	–	179,560
LINK: Fast Track Entrepreneurship Program	06/11/13	930,000	162,950	–	767,050
Industrial Growth Initiative – Phase III	07/23/13	300,000	296,500	–	3,500
Downtown Jamaica Workspace	12/10/13	250,000	–	–	250,000
Air Cargo Market Analysis and Strategic Plan	01/14/13	250,000	–	–	250,000
Vertical Factory Design Competition	02/11/14	350,000	–	–	350,000
Comprehensive Industrial Plan	03/11/14	230,000	230,000	–	–
1000 Industrial Business Survey	03/11/14	90,000	85,700	–	4,300
Freight Investment Blueprint	04/08/14	500,000	–	–	500,000
		$ 23,163,263	$ 11,550,877	$ 5,000,000	$ 6,612,386

For the years ended June 30, 2014 and 2013, $2,912,611 and $7,319,547, respectively, have been incurred by the Agency related to the above projects and are included in special project costs on the accompanying statements of revenue, expenses and changes in fund net assets. Of such amounts, $853,586 and $641,740 remained unpaid as of June 30, 2014 and 2013, respectively, and are included in Due to NYCEDC on the accompanying statements of net position.

8. Commitments and Contingencies (continued)

In response to the impact of Superstorm Sandy on The City of New York's various businesses and not-for-profit entities, the Agency's Board of Directors authorized the expenditure of $4,000,000 to NYCEDC under a purchase of services agreement. The disbursement of these funds, which took place during fiscal year 2013, was recorded as special project expenses as of June 30, 2013. NYCEDC used these funds as partial funding for the Hurricane Emergency Loan Program ("HELP'), which was established pursuant to various agreements between and among NYCEDC, Goldman Sachs ("GS"), and the New York Business Development Corporation ("NYBDC" or "Administrator"). Under the terms of the agreement, HELP's Administrator provided small business loans to entities within New York City that met the Project Borrower Eligibility Criteria in order to assist them in addressing the aftermath of Superstorm Sandy.

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

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

a. The New York State Department of Environmental Conservation ("DEC") has notified IDA that DEC will seek contribution from IDA in connection with the remediation of five sites in Brooklyn and Queens that are or were used by clients to which IDA has provided financial assistance. If IDA is found to have liability, IDA would be entitled to indemnification from these clients. However, IDA believes that the remediation costs will be substantial and would exceed the clients' ability to meet their indemnity obligations.

b. Due to the holding of real estate interests in two sites in Lower Manhattan in connection with providing financial assistance, IDA has been named as a defendant in certain claims and lawsuits brought by post-9/11/01 cleanup workers who allege personal injuries following work at these sites. Although the recipients of assistance are required to hold IDA harmless from this liability; it is possible that the liability for these lawsuits may exceed the assets of the obligors. As of this date, there is no estimate of the ultimate resolution for these lawsuits.

8. Commitments and Contingencies (continued)

IDA is unable to predict the outcome of the matters described in (a) and (b) above, but believes it has meritorious defenses with respect thereto.

9. Risk Management

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

Supplemental Information

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

Combining Statement of Net Position

	Unrestricted	Restricted: Queens Baseball Stadium Project	Restricted: Yankee Baseball Stadium Project	Total Restricted	Year Ended June 30: 2014	Year Ended June 30: 2013
Assets						
Current assets:						
Cash and cash equivalents	$ 19,831,760	$ –	$ –	$ –	**$ 19,831,760**	$ 2,056,452
Investments	14,188,370	–	–	–	**14,188,370**	49,682,049
Restricted cash	3,839,823	–	–	–	**3,839,823**	3,836,218
Fees receivable, net of allowance for doubtful accounts of $13,512 and $19,627, respectively	76,228	–	–	–	**76,228**	63,777
PILOT lease receivable	–	7,515,000	17,427,103	24,942,103	**24,942,103**	23,478,449
Total current assets	37,936,181	7,515,000	17,427,103	24,942,103	**62,878,284**	79,116,945
Noncurrent assets:						
Investments	16,259,683	–	–	–	**16,259,683**	–
Restricted cash and cash equivalents – stadia projects	–	39,880,365	21,420,004	61,300,369	**61,300,369**	53,753,531
Restricted investments – stadia projects	–	–	86,418,338	86,418,338	**86,418,338**	86,739,592
PILOT lease receivable	–	578,671,156	1,135,051,129	1,713,722,285	**1,713,722,285**	1,736,561,395
Total noncurrent assets	16,259,683	618,551,521	1,242,889,471	1,861,440,992	**1,877,700,675**	1,877,054,518
Total assets	54,195,864	626,066,521	1,260,316,574	1,886,383,095	**1,940,578,959**	1,956,171,463
Deferred outflows of resources:						
Derivative instruments – interest rate swap	–	–	11,938,485	11,938,485	**11,938,485**	15,908,362
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	62,956	–	–	–	**62,956**	63,621
Due to New York City Economic Development Corporation	870,829	–	–	–	**870,829**	672,067
Bonds payable – current	–	7,515,000	17,427,103	24,942,103	**24,942,103**	23,478,449
Interest payable on bonds	–	15,277,116	94,674,943	109,952,059	**109,952,059**	97,994,492
Unearned revenues	367,164	–	–	–	**367,164**	354,552
Other liabilities	3,839,823	–	–	–	**3,839,823**	3,836,218
Total current liabilities	5,140,772	22,792,116	112,102,046	134,894,162	**140,034,934**	126,399,399
Noncurrent liabilities:						
Bonds payable, net	–	603,274,405	1,148,214,528	1,751,488,933	**1,751,488,933**	1,779,060,026
Derivative instruments – interest rate swap	–	–	11,938,485	11,938,485	**11,938,485**	15,908,362
Total noncurrent liabilities	–	603,274,405	1,160,153,013	1,763,427,418	**1,763,427,418**	1,794,968,388
Total liabilities	5,140,772	626,066,521	1,272,255,059	1,898,321,580	**1,903,462,352**	1,921,367,787
Net Position:						
Unrestricted	$ 49,055,092	$ –	$ –	$ –	**$ 49,055,092**	$ 50,712,038

II. Government Auditing Standards Section

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New York City Industrial Development Agency (the "Agency"), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Ernst + Young LLP

September 22, 2014

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ey.com