Financial Statements and Supplemental Information

New York City Industrial Development Agency
(A Component Unit of The City of New York)
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

New York City Industrial Development Agency
(a component unit of The City of New York)

Financial Statements and Supplemental Information

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Contents

I. Financial Section

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Report of Independent Auditors

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, 2013 and 2012, 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, 2013 and 2012, 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.

Adoption of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities"

As discussed in Note 2 to the financial statements, the Agency restated its financial statements as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *"Items Previously Reported as Assets and Liabilities"* effective July 1, 2011. Our opinion is not modified with respect to this matter.

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 and Other 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 supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information 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 supplemental information 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 19, 2013 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 19, 2013

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, 2013. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

2013 Financial Highlights

- Unrestricted cash, cash equivalents and investments decreased $6,112,573 (or 11%)
- Current liabilities increased $15,744,820 (or 14%)
- Unrestricted net position decreased $6,561,533 (or 11%)
- Operating expenses decreased $21,164 (or 0.3%)
- Operating income decreased $8,076,485 (or 92%)
- Nonoperating expenses increased $5,120,560 (or 242%)

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 fiscal year, the Agency adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities,* (GASB Statement No. 65). As described in Note 2 - Summary of Significant Accounting Policies, 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, 2013, 2012, and 2011 ($ in thousands) and the percentage changes between June 30, 2013, 2012 and 2011:

				% Change	
	2013	**2012***	**2011***	**2013 – 2012**	**2012 – 2011**
Current assets	**$ 79,117**	$ 76,529	$ 69,069	**3%**	11%
Noncurrent assets	**1,877,054**	1,896,597	1,911,065	**(1)**	(1)
Total assets	**1,956,171**	1,973,126	1,980,134	**(1)**	–
Deferred outflows of resources	**15,908**	14,890	6,660	**7**	124
Current liabilities	**126,399**	110,655	99,692	**14**	11
Noncurrent liabilities	**1,794,968**	1,820,087	1,836,464	**(1)**	(1)
Total liabilities	**1,921,367**	1,930,742	1,936,156	**(1)**	–
Total net position	**$ 50,712**	$ 57,274	$ 50,638	**(11%)**	13%

*Restated for GASB No. 65 implementation – please see Note 2.

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 2012, current assets increased by $7,459,311 or 11% primarily as a result of the collection of the Liberty Bonds project finance fees of $12,282,967. Noncurrent assets decreased by $14,468,000 or 0.8% primarily as a result of payments relating to the Stadia 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 2012, unrestricted cash and unrestricted investments increased by $3,728,033 or 7% primarily as a result of the increase in project finance fees received from the ESDC Liberty Project Bonds.

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.

The Agency's net position increased by $6,635,512 or 13% in fiscal year 2012 primarily as a result of the collection of the ESDC Liberty Bonds project finance fees of $12,282,967.

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, 2013 and 2012, IDA did not issue any tax exempt bonds.

During fiscal year 2007, 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 totaling $1,580,475,000. 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 2013, 2012, and 2011 ($ in thousands) and the percentage changes between June 30, 2013, 2012 and 2011:

				% Change	
	2013	**2012***	**2011***	**2013 – 2012**	**2012 – 2011**
Operating revenues:					
Fee income	**$ 4,544**	$ 14,603	$ 7,153	**(69)%**	104%
Other income	**2,415**	454	14,187	**432**	(97)
Total operating revenues	**6,959**	15,057	21,340	**(54)**	(29)
Operating expenses:					
Management fees	**6,052**	6,052	6,052	–	–
Other expenses	**231**	253	2,053	**(9)**	(88)
Total operating expenses	**6,283**	6,305	8,105	–	(22)
Operating income	**676**	8,752	13,235	**(92)**	(34)
Nonoperating revenues (expenses):					
Earnings on investments	**82**	139	349	**(41)**	(60)
Special project costs	**(7,320)**	(2,255)	(2,444)	**225**	(8)
PILOT lease income	**97,489**	103,635	100,814	**(6)**	3
PILOT investment income	**3,463**	2,628	1,734	**32**	52
Bond interest expense	**(100,952)**	(106,263)	(102,548)	**(5)**	4
Total nonoperating revenues (expenses)	**(7,238)**	(2,116)	(2,095)	**242**	1
Change in net position	**(6,562)**	6,636	11,140	**(199)**	(40)
Beginning net position	**57,274**	50,638	39,498	**13**	28
Ending net position	**$ 50,712**	$ 57,274	$ 50,638	**(11)**	13

*Restated for GASB No. 65 implementation – please see Note 2.

In fiscal year 2013, revenues relating to 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 2012, revenues relating to fee income increased by $7,450,060 or 104%. This is directly a result of fees collected from the ESDC Liberty Project Bonds.

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

In fiscal year 2012, revenues relating to other operating income decreased by $13,733,402 or 97%. This is a result of the decrease in the amount of recapture benefits collected.

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.

Total operating expenses decreased by $1,801,075 in fiscal year 2012 or 22%. This is a result of no EDC contingency fees being incurred in fiscal year 2012.

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.

Special project costs decreased by $188,416 or 8% in fiscal year 2012 due to the completion of several projects during the prior 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	
	2013	**2012 as restated***
Assets		
Current assets:		
Cash and cash equivalents *(Note 3)*	**$ 2,056,452**	$ 15,532,449
Investments *(Note 3)*	**49,682,049**	35,807,089
Restricted cash *(Note 3)*	**3,836,218**	782,402
Restricted investments *(Note 3)*	**–**	2,382,739
Fees receivable, net of allowance for doubtful accounts of $19,627 and $16,361, respectively	**63,777**	101,877
PILOT lease receivable, net	**23,478,449**	21,921,845
Total current assets	**79,116,945**	76,528,401
Noncurrent assets:		
Investments *(Note 3)*	**–**	6,511,536
Restricted cash and cash equivalents– stadia projects *(Note 3)*	**53,753,531**	49,260,600
Restricted investments – stadia projects *(Note 3)*	**86,739,592**	86,540,373
PILOT lease receivable, net	**1,736,561,395**	1,754,284,358
Total noncurrent assets	**1,877,054,518**	1,896,596,867
Total assets	**1,956,171,463**	1,973,125,268
Deferred outflows of resources		
Derivative instrument – interest rate swap	**15,908,362**	14,890,407
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**63,621**	77,064
Due to New York City Economic Development Corporation	**672,067**	443,110
Bonds payable – current	**23,478,449**	21,921,845
Interest payable on bonds	**97,994,492**	84,888,213
Unearned revenues *(Note 5)*	**354,552**	432,070
Other liabilities	**3,836,218**	2,892,277
Total current liabilities	**126,399,399**	110,654,579
Noncurrent liabilities:		
Bonds payable, net (*Note 6*)	**1,779,060,026**	1,805,197,118
Derivative instrument – interest rate swap *(Note 7)*	**15,908,362**	14,890,407
Total noncurrent liabilities	**1,794,968,388**	1,820,087,525
Total liabilities	**1,921,367,787**	1,930,742,104
Net Position - unrestricted	**$ 50,712,038**	$ 57,273,571

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	
	2013	**2012 as restated***
Operating revenues:		
Fee income *(Note 2)*	**$ 4,543,701**	$ 14,602,728
Recapture and other related benefits *(Note 2)*	**2,391,827**	405,377
Other income *(Note 2)*	**23,456**	48,528
Total operating revenues	**6,958,984**	15,056,633
Operating expenses:		
Management fees *(Note 4)*	**6,052,117**	6,052,117
Accounting fees	**48,303**	85,331
Consulting fees	**37,073**	59,886
Public hearing expenses	**116,012**	95,235
Marketing/advertising	**10,448**	2,281
Provision for bad debt	**15,141**	–
Other expenses	**3,997**	9,405
Total operating expenses	**6,283,091**	6,304,255
Operating income	**675,893**	8,752,378
Nonoperating revenues (expenses):		
Investment income	**82,121**	138,606
Special project costs *(Note 9)*	**(3,319,547)**	(2,255,472)
Special project costs – HELP *(Note 9)*	**(4,000,000)**	–
PILOT lease income	**97,489,287**	103,634,773
PILOT investment income	**3,462,485**	2,628,495
Bond interest expense	**(100,951,772)**	(106,263,268)
Total nonoperating revenues (expenses)	**(7,237,426)**	(2,116,866)
Change in net position	**(6,561,533)**	6,635,512
Net position, unrestricted, beginning of year	**57,273,571**	50,638,059
Net position, unrestricted, end of year	**$ 50,712,038**	$ 57,273,571

See accompanying notes.

**Restated for GASB No. 65 implementation – please see Note 2.*

New York City Industrial Development Agency
(a component unit of The City of New York)

Statements of Cash Flows

	Year Ended June 30	
	2013	**2012**
Cash flows from operating activities		
Financing and other fees	**$ 4,465,702**	$ 14,798,524
Other income	**26,896**	28,263
Management fees paid	**(6,052,117)**	(6,052,117)
Consulting fees paid	**(6,745)**	–
Accounting fees paid	**(44,857)**	(80,236)
Public hearing fees paid	**(95,956)**	(104,599)
Marketing fees paid	**(7,361)**	(2,505)
Legal fees paid	–	(5,000)
Miscellaneous expenses paid	**(2,616)**	(4,153)
Funds held pending compliance with agreements	**3,087,153**	–
Recapture benefits and other penalties received	**2,362,722**	187,968
Payment to NYC and other agencies of recaptured benefits	**(2,120,106)**	(58,800)
Refund of recapture benefits	–	(1,579,769)
Payment to EDC for contingency fees	**(1,359)**	(1,863,194)
Other	**6,000**	(28,749)
Net cash provided by operating activities	**1,617,356**	5,235,633
Cash flows from investing activities		
Sale of investments	**392,421,280**	397,789,305
Purchase of investments	**(397,401,965)**	(420,310,718)
Investment income	**3,263,265**	2,913,086
Interest income	**82,121**	39,756
Net cash used in investing activities	**(1,635,299)**	(19,568,571)
Cash flows from capital and related financing activities		
Interest payments on outstanding bonds	**(85,373,389)**	(88,686,907)
Bond principal redemption	**(21,921,845)**	(20,272,771)
Swap payments received	**5,159,239**	8,199,081
Swap payments made	**(8,100,758)**	(8,100,759)
Bond fees	**(2,189,228)**	(2,188,395)
PILOT revenue	**113,655,647**	112,279,147
IRS arbitrage rebate payment	–	(4,173,631)
Net cash provided by (used in) capital and related financing activities	**1,229,666**	(2,944,235)
Cash flows from noncapital financing activities		
Special projects	**(7,140,973)**	(3,225,968)
Net cash used in noncapital financing activities	**(7,140,973)**	(3,225,968)
Net decrease in cash and cash equivalents	**(5,929,250)**	(20,503,141)
Cash and cash equivalents at beginning of year	**65,575,451**	86,078,592
Cash and cash equivalents at end of year	**$ 59,646,201**	$ 65,575,451

New York City Industrial Development Agency
(a component unit of The City of New York)

Statements of Cash Flows (continued)

	Year Ended June 30 2013	2012
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 675,893**	$ 8,752,378
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Fees receivable	**38,100**	196,669
Accounts payable and accrued expenses	**(13,443)**	15,750
Due to NYC Economic Development Corp.	**50,383**	(1,805,517)
Other liabilities	**943,941**	(1,874,979)
Unearned revenue	**(77,518)**	(48,668)
Net cash provided by operating activities	**1,617,356**	5,235,633
Supplemental disclosures of noncash activities:		
Unrealized loss on investments	**$ (442,501)**	$ (441,680)

See accompanying notes.

1. Background and Organization

The New York City Industrial Development Agency (IDA or the Agency) is considered a component unit of The City of New York (the City) for financial reporting purposes of the City, and 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 a "straight lease" structure. The straight lease also 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. Rental payments are calculated to be sufficient to meet the debt service obligation on the IDB (the Financing Lease). The Financing Lease includes a bargain purchase option, which allows the Beneficiary to repurchase the property for a nominal sum upon expiration of the Financing Lease and after satisfaction of all terms thereof.

The IDBs are special 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.

1. Background and Organization (continued)

The total conduit debt obligations outstanding totaled $6,842,523,048 and $7,747,568,185 for the years ended June 30, 2013 and 2012, 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.

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 financing assistance. Its membership is prescribed by statute and includes public officials and private business leaders.

1. Background and Organization (continued)

To support the activities of the Board of Directors, the Agency annually enters into a contract with the New York City Economic Development Corporation (EDC). Under the terms set forth in the EDC and IDA Agreement, EDC is to provide IDA with all the professional, administrative and technical assistance it needs to accomplish its objectives. These services include comprehensive financial analyses, 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.

Recently Adopted Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB No. 63). This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflow of resources. Deferred outflows is defined as the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows is defined as the acquisition of net assets by the government that is applicable to a future reporting period. GASB No. 63 also amends the net asset reporting requirement by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement were effective for financial statements for the periods beginning after December 15, 2011. The Agency's adoption of GASB No. 63 in 2013 resulted in a change in the presentation of the balance sheets to what is now referred to as the statements of net position and the term "net assets" was changed to "net position" throughout the financial statements.

2. Summary of Significant Accounting Policies (continued)

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 will improve 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 implementation of GASB No. 65, which was adopted early by the Agency, required restatement of the Agency's financial statements as of July 1, 2011. The effect of the restatement was the elimination of the deferred bond issuance costs of $75,796,829 and the elimination of the amortization expense of $3,387,207, which were recorded in the statement of net position and statement of revenues, expenses, and changes in net position, respectively.

	As Previously Reported	Adjustment	Restated
For the year ended June 30, 2012			
PILOT lease income	$ 107,021,980	$ (3,387,207)	$ 103,634,773
Bond interest expense	(109,650,475)	3,387,207	(106,263,268)
As of June 30, 2012			
PILOT lease receivable, net (noncurrent)	1,678,487,529	75,796,829	1,754,284,358
Deferred bond issuance costs	75,796,829	(75,796,829)	–

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

2. Summary of Significant Accounting Policies (continued)

Statement are effective for financial statements for periods beginning after December 15, 2012. The Agency does not anticipate the implementation of GASB No. 66 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 No. 68 on its 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 PILOT amount remitted by the beneficiaries and result from a beneficiary's violation of an IDA agreement covenant. 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, 2013, $2,015,690 was remitted to the City relating to these recapture benefits. For the year ended June 30, 2012, no recapture benefits were required to be 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 nonoperating.

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.

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain prior year amounts shown in the accompanying financial statements have been reclassified to conform with current year presentation.

3. Cash and Investments

Cash

At year-end, IDA's bank balance was $1,498,977. Of this amount, $250,000 was covered by Federal Depository Insurance Corporation (FDIC) and $1,248,977 was collateralized with securities held by the pledging financial institution in IDA's name.

Investments

As of June 30, 2013 and 2012, the Agency had the following investments. Investments maturities are shown for June 30, 2013 only (in thousands).

	Total Value		2013 Investment Maturities (In Years)	
	2013	**2012**	**Less Than 1**	**1 to 2**
Money Market & Mutual Funds	**$ 564**	$ 5,581	**$ 564**	**$ –**
Federal National Mort. Assn. Notes	**9,831**	6,262	**9,831**	**–**
Federal Home Loan Mort. Corp Notes	**14,193**	11,053	**14,193**	**–**
Certificates of Deposit	**1,778**	1,302	**1,778**	**–**
Federal Home Loan Bank Notes	**9,255**	9,526	**9,255**	**–**
Federal Farm Credit Bank Notes	**–**	6,531	**–**	**–**
U.S. Treasury Bills	**–**	6,032	**–**	**–**
Commercial Paper	**14,625**	5,995	**14,625**	**–**
Restricted cash equivalents – stadia projects	**34,991**	49,261	**34,991**	**–**
Restricted investments – stadia projects	**86,739**	86,540	**20,776**	**65,963**
Total	**171,796**	188,083	**$ 106,013**	**$ 65,963**
Less investments classified as cash equivalents and restricted investments – stadia projects	**(122,294)**	(143,382)		
Total investments	**$ 49,682**	$ 44,701		

3. Cash and Investments (continued)

IDA's investment policy permits the Agency 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 are guaranteed by the United States of America as well as obligations of the State. All investments are carried at fair value based on quoted market prices. Other permitted investments, include short term commercial paper and certificates of deposit. 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 2 years from the date of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates.

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, 2013, 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. 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 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 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.

3. Cash and Investments (continued)

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):

	Dollar Amount and Percentage of Total Investments			
Issuer	**June 30, 2013**		**June 30, 2012**	
Federal National Mortgage Assn.	**$ 9,831**	**19.79%**	$ 6,262	14.01%
Federal Home Loan Bank	**9,255**	**18.63%**	9,526	21.31%
Federal Home Loan Mort. Corp Notes	**14,193**	**28.57%**	11,053	24.73%
Federal Farm Credit Bank Notes	**–**	**–**	6,531	14.61%
Coca Cola Co.	**2,999**	**6.04%**	–	–
Nestle Finance France SA	**2,498**	**5.02%**	–	–

Restricted Cash, Cash Equivalents and Investments – Stadia Projects

Restricted cash, cash equivalents and investments, primarily 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 New York City Economic Development Corporation (EDC), 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 EDC and

4. Management Fees and Other Charges (continued)

IDA Agreement, EDC is to provide IDA with all the professional, administrative and technical assistance it needs to accomplish its objectives. These services include comprehensive financial analyses, 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 EDC and the Agency. Such fees amounted to $6,052,117 for the each of the years ended June 30, 2013 and 2012.

5. Unearned Revenues

Unearned revenues consisted of the following:

	June 30	
	2013	**2012**
Compliance monitoring fees	**$ 354,552**	$ 432,070

6. 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, 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**	

6. Bonds Payable (continued)

Description	Bonds Outstanding June 30, 2011	New Bond Issuances	Matured/ Called/ Redeemed	Bonds Outstanding June 30, 2012	Amount Due Within One Year
Queens Baseball Stadium Project:					
Series 2006 PILOT Bonds, 3.6% to 5%, due 2046	**$** 536,500	**$** –	$ 5,785	**$ 530,715**	$ 6,075
Series 2009 PILOT Bonds, 4.0% to 6.50%, due 2046	81,040	–	710	**80,330**	745
Yankee Stadium Project:					
Series 2006 PILOT Revenue Bonds, 3.6% to 5%, due 2046	713,335	–	11,755	**701,580**	12,350
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	65,451	–	2,023	**63,428**	2,752
Series 2009 Current Interest Term Bonds, 7.00%, due 2049	191,960	–	–	**191,960**	–
Total	1,786,406	**$** ––	$ 20,273	**1,766,133**	$ 21,922
Net premium (discount)	63,670			**60,986**	
Bonds payable, net	**$** 1,850,076			**$ 1,827,119**	

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, 2013 and 2012, $524,640,000 and $530,715,000, 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.

6. Bonds Payable (continued)

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 8), 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.

At June 30, 2013 and 2012, $79,585,000 and $80,330,000, 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.

6. Bonds Payable (continued)

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 (GSCM) according to the Swap agreement between IDA and GSCM, dated August 16, 2006. Funds from the IDA capitalized interest account will be used to reimburse GSCM 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, 2013 and 2012 was 4.07%. The average CPI Swap interest rates for the years ended June 30, 2013 and 2012 were 2.49% and 4.06%, respectively.

Interest on the Series 2006 PILOT bonds, excluding the CPI Bonds, are payable on March 1 and September 1, in each year, beginning March 1, 2007. At June 30, 2013 and 2012, $887,350,000 and $899,700,000, 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, 2013 and 2012, $252,636,771 and $255,388,000, 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.

6. Bonds Payable (continued)

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

Year Ended June 30	Principal	Interest	Total
2014	$ 23,478	$ 100,113	$ 123,591
2015	24,942	98,706	123,648
2016	25,228	97,449	122,677
2017	26,408	95,980	122,388
2018	27,105	94,387	121,492
2019 – 2023	146,902	446,594	593,496
2024 – 2028	174,255	400,234	574,489
2029 – 2033	217,052	342,627	559,679
2034 – 2038	276,623	272,698	549,321
2039 – 2043	352,763	188,926	541,689
2044 – 2048	378,226	84,092	462,318
2049	71,229	3,324	74,553
Total	$ 1,744,211	$ 2,225,130	$ 3,969,341

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, 2013. 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, 2013 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
2014	$ –	$ 3,720	$ 4,381	$ 8,101
2015	–	3,720	4,381	8,101
2016	13,135	3,644	4,288	21,067
2017	13,650	3,492	4,102	21,244
2018	14,195	3,251	3,807	21,253
2019 – 2023	80,125	12,134	14,120	106,379
2024 – 2027	77,015	3,819	4,423	85,257
Total	$ 198,120	$ 33,780	$ 39,502	$ 271,402

7. 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.

The Agency adopted GASB 53 effective July 1, 2009. The impact of this adjustment was to report an interest rate swap derivative instrument liability and a corresponding “deferred outflow of resources” at June 30, 2013. The fair value of the derivative instrument liability and the corresponding deferred outflow of resources were $15.9 million and $14.9 million at June 30, 2013 and 2012, 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 “Basis Risk” paragraph in the 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.

7. Derivative Instruments (continued)

The following table displays the terms of the Agency's hedging derivative instruments outstanding at June 30, 2013:

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 Capital Markets, LP
nuus6085q	8/22/2006	3/1/2017	3.920	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085r	8/22/2006	3/1/2018	3.960	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085s	8/22/2006	3/1/2019	4.010	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085t	8/22/2006	3/1/2020	4.050	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085u	8/22/2006	3/1/2021	4.090	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085v	8/22/2006	3/1/2022	4.120	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085w	8/22/2006	3/1/2023	4.140	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085x	8/22/2006	3/1/2024	4.160	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085y	8/22/2006	3/1/2025	4.180	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085z	8/22/2006	3/1/2026	4.190	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6086	8/22/2006	3/1/2027	4.210	CPI Rate *	Goldman Sachs Capital Markets, LP

* 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.

7. 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 2013 financial statements are as follows (in thousands):

	Change in Fair Value		Fair Value at June 30, 2013		Notional
	Classification	**Amount**	**Classification**	**Amount**	**Amount**
Cash flow hedges					
Pay fixed swaps:					
nuus6085p	Deferred inflow of resources	$ 67	Debt	$ (668)	$ 13,135
nuus6085q	Deferred inflow of resources	5	Debt	(828)	13,650
nuus6085r	Deferred inflow of resources	(60)	Debt	(959)	14,195
nuus6085s	Deferred inflow of resources	(92)	Debt	(1,075)	14,765
nuus6085t	Deferred inflow of resources	(112)	Debt	(1,171)	15,360
nuus6085u	Deferred inflow of resources	(126)	Debt	(1,274)	15,995
nuus6085v	Deferred inflow of resources	(154)	Debt	(1,390)	16,655
nuus6085w	Deferred inflow of resources	(174)	Debt	(1,503)	17,350
nuus6085x	Deferred inflow of resources	(160)	Debt	(1,614)	18,075
nuus6085y	Deferred inflow of resources	(121)	Debt	(1,718)	18,835
nuus6085z	Deferred inflow of resources	(76)	Debt	(1,803)	19,630
nuus6086	Deferred inflow of resources	(15)	Debt	(1,905)	20,475
		$ (1,018)		$ (15,908)	

Credit Risk

The swap agreements contain collateral agreements with the counterparty. The counterparty only posts collateral if (i) the rating of The Goldman Sachs Group, Inc. 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, 2013, The Goldman Sachs Group Inc. is rated A3/A-/A. Additionally, the Agency is only obligated to pay as the counterparty to the extent of the receipt of PILOT revenues from Yankee Stadium LLC.

7. 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.

8. 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 Stadium 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, 2013 remains constant over the life of the leases.

8. PILOT Lease Receivable, Net (continued)

At June 30, 2013 and 2012, the outstanding leases and the receivable amount were as follows:

	2013	2012*
Queens Stadium Project, through 2046	**$ 1,245,877,075**	$ 1,288,163,685
Yankee Baseball Stadium Project, through 2049	**2,589,499,890**	2,662,346,906
Aggregate lease receivable – gross	**3,835,376,965**	3,950,510,591
Less: deferred interest	**(2,075,337,121)**	(2,174,304,388)
Aggregate lease receivable – net	**$ 1,760,039,844**	$ 1,776,206,203

*Restated for GASB No. 65 implementation – please see Note 2.

The aggregate lease receipts due through 2018 and thereafter are as follows:

	Queens Stadium	Yankee Stadium	Total
2014	$ 43,800,000	$ 78,995,950	$ 122,795,950
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 – 2023	220,000,000	321,178,621	541,178,621
2024 – 2028	220,900,000	321,173,705	542,073,705
2029 – 2033	222,000,000	321,176,842	543,176,842
2034 – 2038	223,500,000	321,179,242	544,679,242
2039 – 2043	225,500,000	321,177,383	546,677,383
2044 – 2048	113,650,000	330,621,097	444,271,097
2049	–	184,640,119	184,640,119
	1,444,900,000	2,530,970,088	3,975,870,088
Less restricted cash, cash equivalents and investments			(140,493,123)
			$ 3,835,376,965

8. PILOT Lease Receivable, Net (continued)

Lease payment receivable activity for the years ended June 30, 2013 and 2012 was as follows:

	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**

	Beginning Balance* July 1, 2011	Additions	Reductions	Ending Balance* June 30, 2012
Gross receivable	$ 4,042,421,890	$ 3,626,047	$ (95,537,346)	$ 3,950,510,591
Less deferred interest	2,257,571,314	–	(83,266,926)	2,174,304,388
Net receivable	$ 1,784,850,576	$ 3,626,047	$ (12,270,420)	$ 1,776,206,203

*Restated for GASB No. 65 implementation – please see Note 2.

9. Commitments and Contingencies

Pursuant to various approved agreements between IDA and EDC, IDA was committed to fund 42 projects being performed by EDC related to the City's Commerce and Industrial Development (the Project Commitments). Total Project Commitments under these agreements amounted to approximately $31.4 million with an outstanding obligation at June 30, 2013 of approximately $11.8 million. The Project Commitments, related approval dates, original and outstanding commitment balances are as follows:

9. 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	$ 167,963	$ –	$ 482,037
Hunts Point Peninsula/Vision Plan	07/29/03	795,000	668,017	–	126,983
Hunts Point Produce Market	10/11/05	350,000	318,010	–	31,990
Pier 7-12 Development Policy	03/14/06	1,979,611	1,704,441	275,170	–
Downtown Far Rockaway Development Plan	05/09/06	150,000	129,888	20,112	–
Willets Point Development Strategy	03/13/07	3,954,000	3,211,754	–	742,246
Hunts Point Food Distribution Center, Development Feasibility Studies	12/11/07	700,000	348,294	–	351,706
Harlem Business Assistance Fund/UMEZ	05/13/08	1,000,000	–	1,000,000	–
Staten Island North Shore Study – Land and Transportation	05/13/08	700,000	640,099	59,901	–
Harbor District Ferry Service Feasibility and Branding Initiative	03/11/09	590,058	469,348	–	120,710
Harlem River Waterfront/Sherman Creek	07/28/09	300,000	299,899	101	–
Hunts Point Food Distribution	09/15/09	500,000	178,198	321,802	–
City-wide Ferry Services Feasibility Study	09/15/09	175,000	172,791	2,209	–
Teleport Planning Services	09/15/09	100,000	98,808	1,192	–
Hunts Point Freight Rail and Anaerobic Digestion Study	09/15/09	131,705	–	81,705	50,000
Industry NYC Survey	03/09/10	65,000	55,000	10,000	–
Wage Study	06/08/10	1,000,000	964,254	35,746	–
JFK Air Cargo Study	12/14/10	250,000	249,970	30	–
Seward Park Development Project Engineering and Cost Analysis	12/14/10	500,000	387,823	–	112,177
Immigrant Entrepreneur Business Development Demonstration Program	04/12/11	400,000	391,643	–	8,357
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	326,352	–	23,648
Lower Manhattan Business Expansion Competition	07/26/11	950,000	303,065	–	646,935
Industrial Business Growth Assistance Program	09/20/11	200,000	200,000	–	–
Harlem Incubator	02/14/12	500,000	55,000	–	445,000
Industrial Business Support Services	02/14/12	420,000	420,000	–	–
Industrial Business Improvements Districts Development	04/10/12	300,000	261,506	–	38,494
Queens Kitchen Incubator	04/10/12	75,000	45,000	–	30,000
Hunts Point Terminal Produce Market	06/12/12	5,000,000	–	–	5,000,000
Illuminate Lower Manhattan	09/20/12	1,000,000	350,000	–	650,000
Open Industrial Uses Study	09/20/12	137,500	21,329	–	116,171
Hurricane Emergency Loan Program	11/13/12	4,000,000	4,000,000	–	–
Artist as Entrepreneur	01/08/13	10,000	–	–	10,000
Curate NYC	01/08/13	60,000	15,000	–	45,000
NYC Generation Tech	01/08/13	100,000	–	–	100,000
New York's Next Top Makers	01/08/13	130,000	108,566	–	21,434
City Wide Ferry Study & Environmental Assessment Services	02/13/13	600,000	29,130	–	570,870
MARSHES	02/13/13	500,000	35,832	–	464,168
Oil & Gas Supply Chain Study	02/13/13	60,000	7,581	–	52,419
Staten Island Incubator	04/09/13	250,000	–	–	250,000
LINK: Progress Networks	06/11/13	270,000	–	–	270,000
LINK: Fast Track Entrepreneurship Program	06/11/13	930,000	–	–	930,000
		$ 31,432,874	$17,869,909	1,807,968	$ 11,754,997

9. Commitments and Contingencies (continued)

For the years ended June 30, 2013 and 2012, $7,319,547 and $2,255,472, 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, $641,740 and $435,017 remained unpaid as of June 30, 2013 and 2012, respectively, and are included in Due to EDC on the accompanying statements of net position.

In response to the impact of Hurricane 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 EDC under a purchase of services agreement. The disbursement of these funds, which took place during fiscal year 2013, have been recorded as special project expenses. EDC has used these funds as partial funding for the Hurricane Emergency Loan Program (HELP), which was established pursuant to various agreements between and among EDC, Goldman Sachs (GS), and the New York Business Development Corporation (NYBDC and Administrator). Under the terms of the agreement, HELP’s Administrator will provide small business loans to entities within New York City that meet the Project Borrower Eligibility Criteria in order to assist them in addressing the aftermath of Hurricane Sandy.

IDA, and in certain situations as co-defendant with the City and/or EDC, 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.

9. Commitments and Contingencies (continued)

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.

c. Due to its holding of a real estate interest in a site in connection with a financing transaction involving IDA's provision of financial assistance to the site user, IDA was named as a co-defendant in a personal injury lawsuit pending in Bronx County. IDA was dismissed from the case; however the dismissal is being appealed. The lawsuit, which continues despite IDA's dismissal, is at the pretrial stage. The court has ruled that the user's insurer is not obligated to defend or make payment with respect to the claim. IDA continues to seek a ruling that it has the right to recover from the user's insurance broker for any liability to which IDA may be subject, but there can be no assurance that IDA will prevail in this effort. The user of the site has pledged to indemnify IDA for any such liability. However, unless the lawsuit is settled before trial, IDA's liability is likely to exceed any amounts that it may be able to obtain from the insurance broker and the user.

9. Commitments and Contingencies (continued)

d. Due to its holding of a real estate interest in a Brooklyn site in connection with a financing transaction involving IDA's provision of financial assistance to the site user, in 2013 IDA was served with three unrelated notices of claim stating that IDA may be named in three future personal injury lawsuits to be commenced by New York City firefighters who allegedly were injured at a fire at the site in late 2012. The lawsuits have not yet been commenced. Neither the site user nor IDA was insured on the date of the fire. The site user has pledged to indemnify IDA for such potential liability, but IDA's liability may exceed any amounts that it may be able to obtain from the user or guarantors of the indemnity obligation.

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

10. Risk Management

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

Supplemental Information

New York City Industrial Development Agency
(a component unit of The City of New York)

Combining Statements of Net Position

		Restricted			Year Ended June 30	
	Unrestricted	Queens Baseball Stadium Project	Yankee Baseball Stadium Project	Total Restricted	2013	2012*
Assets						
Current assets:						
Cash and cash equivalents	$ 2,056,452	$ –	$ –	$ –	**$ 2,056,452**	$ 15,532,449
Investments	49,682,049	–	–	–	**49,682,049**	35,807,089
Restricted cash	3,836,218	–	–	–	**3,836,218**	782,402
Restricted investments	–	–	–	–	–	2,382,739
Fees receivable, net of allowance for doubtful accounts of $19,627 and $16,361, respectively	63,777	–	–	–	**63,777**	101,877
PILOT lease receivable	–	7,155,000	16,323,449	23,478,449	**23,478,449**	21,921,845
Total current assets	55,638,496	7,155,000	16,323,449	23,478,449	**79,116,945**	76,528,401
Noncurrent assets:						
Unrestricted investments	–	–	–	–	–	6,511,536
Restricted cash and cash equivalents – stadia projects	–	35,626,212	18,127,319	53,753,531	**53,753,531**	49,260,600
Restricted investments – stadia projects	–	–	86,739,592	86,739,592	**86,739,592**	86,540,373
PILOT lease receivable	–	591,298,160	1,145,263,235	1,736,561,395	**1,736,561,395**	1,754,284,358
Total noncurrent assets	–	626,924,372	1,250,130,146	1,877,054,518	**1,877,054,518**	1,896,596,867
Total assets	55,638,496	634,079,372	1,266,453,595	1,900,532,967	**1,956,171,463**	1,973,125,268
Deferred outflows of resources						
Derivative instruments – interest rate swap	–	–	15,908,362	15,908,362	**15,908,362**	14,890,407
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	63,621	–	–	–	**63,621**	77,064
Due to New York City Economic Development Corporation	672,067	–	–	–	**672,067**	443,110
Bonds payable – current	–	7,155,000	16,323,449	23,478,449	**23,478,449**	21,921,845
Interest payable on bonds	–	15,447,138	82,547,354	97,994,492	**97,994,492**	84,888,213
Unearned revenue	354,552	–	–	–	**354,552**	432,070
Other liabilities	3,836,218	–	–	–	**3,836,218**	2,892,277
Total current liabilities	4,926,458	22,602,138	98,870,803	121,472,941	**126,399,399**	110,654,579
Noncurrent liabilities:						
Bonds payable, net	–	611,477,234	1,167,582,792	1,779,060,026	**1,779,060,026**	1,805,197,118
Derivative instruments – interest rate swap	–	–	15,908,362	15,908,362	**15,908,362**	14,890,407
Total noncurrent liabilities	–	611,477,234	1,183,491,154	1,794,968,388	**1,794,968,388**	1,820,087,525
Total liabilities	4,926,458	634,079,372	1,282,361,957	1,916,441,329	**1,921,367,787**	1,930,742,104
Net Position						
Unrestricted	$ 50,712,038	$ –	$ –	$ –	**$ 50,712,038**	$ 57,273,571

*Restated for GASB No. 65 implementation – please see Note 2.

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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 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, 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 19, 2013.

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 19, 2013

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