

NYCTL 2021-A TRUST
FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024
(With Independent Auditors' Report)

**NYCTL 2021-A Trust
(A Blended Component Unit of the City of New York)**

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2025 and 2024

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INDEPENDENT AUDITORS' REPORT

Wilmington Trust Company
NYCTL 2021-A Trust:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the NYCTL 2021-A Trust (the "Trust"), a blended component unit of the City of New York, as of and for the years ended June 30, 2025 and 2024, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust, as of June 30, 2025 and 2024, and the changes in financial position, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern within twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2025 on our consideration of the Trust'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 solely 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 effectiveness of the Trust's 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 Trust's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 19, 2025

NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial activities of NYCTL 2021-A Trust (the "Trust") as of and for the years ended June 30, 2025 and 2024. It should be read in conjunction with the Trust's financial statements and the accompanying notes to the financial statements.

The financial statements of the Trust, which include the statements of net position, the statements of revenues, expenses and changes in net position, the statements of cash flows and the notes to financial statements, are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as prescribed by the Governmental Accounting Standards Board ("GASB"). The financial statements are prepared using the accrual basis of accounting, in which revenues are recognized in the period they are earned and expenses are recognized in the period they are incurred.

OVERVIEW OF THE ORGANIZATION

The Trust was created on December 8, 2021 to acquire certain liens securing unpaid real estate taxes and other charges, payable to the City of New York (the "City") in exchange for the proceeds from bonds to be issued by the Trust, net of reserves funded by bond proceeds and bond issuance costs. The City is the sole beneficiary of the Trust and is entitled to receive distributions from the Trust after payments to bondholders and certain reserve requirements have been satisfied. The City is not entitled to cause the Trust to make distributions to it while bonds remain outstanding.

The trust entered into an agreement (the "Assignment Agreement") as of October 31, 2024 to transfer all of its rights and obligations to the NYCTL 1998-2 Trust. In accordance with the Assignment Agreement, the NYCTL 1998-2 Trust will pay the administrative expenses incurred after October 31, 2024 and any costs associated with the transfer.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS

A summary of the Trust's assets, liabilities and net position and its activities as of and for the years ended June 30, 2025, 2024 and 2023 is as follows:

Summary of Net Position:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ -	\$ 251,329	\$ 46,568
Restricted investments	-	7,251,652	6,826,745
Current tax liens receivable	-	11,516,773	17,521,191
Total current assets	-	19,019,754	24,394,504
Noncurrent tax liens receivable, net of allowance	-	23,483,353	32,010,017
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 42,503,107</u>	<u>\$ 56,404,521</u>
LIABILITIES:			
Accounts payable and accrued liabilities	\$ -	\$ 1,258,409	\$ 1,090,036
Accrued bond interest payable	-	12,526	72,084
Overages due to taxpayers	-	17,033	22,150
Bonds payable, net of discount	-	3,565,993	20,569,644
TOTAL LIABILITIES	-	4,853,961	21,753,914
TOTAL NET POSITION	<u>-</u>	<u>37,649,146</u>	<u>34,650,607</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ -</u>	<u>\$ 42,503,107</u>	<u>\$ 56,404,521</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (CONTINUED)

Summary of Revenues, Expenses and Changes in Net Position:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
REVENUES:			
Interest on tax liens	\$ 1,141,583	\$ 4,209,795	\$ 7,176,398
Decrease in allowance for doubtful accounts	-	69,970	-
Other income	113,939	326,884	412,640
TOTAL REVENUES	<u>1,255,522</u>	<u>4,606,649</u>	<u>7,589,038</u>
EXPENSES:			
Increase in allowance for doubtful accounts	-	-	584,291
Write-offs of uncollectible liens, net of recoveries	168,809	292,670	137,003
Administrative expense	121,025	1,069,287	1,597,203
Bond interest expense	19,169	246,153	908,135
Transfer to New York City Lien Trust 1998-2	<u>38,595,665</u>	-	-
TOTAL EXPENSES	<u>38,904,668</u>	<u>1,608,110</u>	<u>3,226,632</u>
NET CHANGE IN NET POSITION	<u>\$ (37,649,146)</u>	<u>\$ 2,998,539</u>	<u>\$ 4,362,406</u>

During the year ended June 30, 2025, the Trust's total assets decreased by \$42,503,107, its liabilities decreased by \$4,853,961 and its net position decreased by \$37,649,146 as a result of the transfer of its assets and liabilities to the NYCTL 1998-2 Trust.

During the year ended June 30, 2024, the Trust's total assets decreased by \$13,901,414 resulting primarily from a decrease in net tax liens receivable of \$14,531,082. The decrease in tax liens receivable resulted primarily from a decrease in principal of \$14,584,679, a decrease in accrued interest of \$332,902 and a decrease in recoverable expenses of \$267,588, offset by a decrease in the allowance for doubtful accounts recorded of \$69,970 and an increase in capitalized cost of \$584,117. The \$16,899,953 decrease in the Trust's liabilities resulted primarily from a decrease in bonds payable, net of discount of \$17,003,651, a decrease in accrued bond interest payable of \$59,558 and a decrease in overages due to taxpayers of \$5,117, offset by an increase in accounts payable and accrued liabilities of \$168,373.

During the year ended June 30, 2025, prior to the transfer of assets and liabilities to the NYCTL 1998-2 Trust, total revenue was \$1,255,522 and consisted of interest on tax liens receivable of \$1,141,583 and investment income of \$113,939. Total expenses of \$309,003 resulted primarily from write-offs of uncollectible liens of \$168,809, administrative fees of \$121,025 and bonder interest expense of \$19,169.

During the year ended June 30, 2024, total revenues were \$4,606,649 and consisted of interest on tax liens receivable of \$4,209,795, a decrease in allowance for doubtful accounts of \$69,970 and investment income of \$326,884. Total expenses of \$1,608,110 resulted primarily from write-off of uncollectible liens of \$292,670 and administrative expenses of \$1,069,287. Other expenses include bond interest expense of \$246,153.

Long-Term Debt Activity:

The Trust issued debt to fund its purchase of certain tax liens from the City, as well as to fund required reserve accounts and pay costs of issuance. Debt repayments will be made solely from cash collections received as a result of payments of tax liens or from proceeds from real estate owned as a result of foreclosure on properties with unpaid tax liens. While the bonds issued have a stated maturity date of November 10, 2034, the bonds are repaid as funds are available from cash collections, generally quarterly. The bonds were fully repaid on August 12, 2024.

NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS:		
Current assets		
Cash and cash equivalents	\$ -	\$ 251,329
Restricted investments	-	7,251,652
Tax liens receivable:		
Principal	-	8,525,147
Accrued interest	-	2,991,626
Current tax liens receivable	-	11,516,773
Total current assets	-	19,019,754
Noncurrent assets		
Tax liens receivable:		
Principal	-	19,285,340
Accrued interest	-	2,303,481
Accrued capitalized costs	-	644,437
Recoverable expenses	-	2,087,370
Less: allowance for uncollectible accounts	-	(837,275)
Total noncurrent assets	-	23,483,353
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 42,503,107</u>
LIABILITIES:		
Current liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 1,258,409
Accrued bond interest payable	-	12,526
Overages due to taxpayers	-	17,033
Bonds payable:		
Class A	-	3,578,899
Discount on bonds payable	-	(12,906)
Bonds payable, net of discount	-	3,565,993
Total current liabilities	-	4,853,961
NET POSITION:		
Restricted by contractual agreements	-	7,251,652
Unrestricted	-	30,397,494
Total net position	-	37,649,146
TOTAL LIABILITIES AND NET POSITION	<u>\$ -</u>	<u>\$ 42,503,107</u>

See accompanying notes to financial statements.

NYCTL 2021-A TRUST
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES:		
Interest on tax liens	\$ 1,141,583	\$ 4,209,795
Decrease in allowance for doubtful accounts	<u>-</u>	<u>69,970</u>
TOTAL OPERATING REVENUES	<u>1,141,583</u>	<u>4,279,765</u>
OPERATING EXPENSES:		
Write-offs of uncollectible liens, net of recoveries	168,809	292,670
Trust administrative expenses		
Servicer fees	69,486	813,225
Trustee fees	7,833	111,742
Financial advisor/management fees	10,500	87,031
Lien and other expenses	<u>33,206</u>	<u>57,289</u>
Total trust administrative expenses	<u>121,025</u>	<u>1,069,287</u>
Bond interest expense	<u>19,169</u>	<u>246,153</u>
TOTAL OPERATING EXPENSES	<u>309,003</u>	<u>1,608,110</u>
OPERATING INCOME	<u>832,580</u>	<u>2,671,655</u>
NONOPERATING (EXPENSE) REVENUE:		
Other income - investment income	113,939	326,884
Transfer to New York City Tax Lien 1998-2 Trust	<u>(38,595,665)</u>	<u>-</u>
TOTAL NONOPERATING (EXPENSE) REVENUE	<u>(38,481,726)</u>	<u>326,884</u>
NET CHANGE IN NET POSITION	(37,649,146)	2,998,539
Net Position - Beginning of Year	<u>37,649,146</u>	<u>34,650,607</u>
NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ 37,649,146</u>

See accompanying notes to financial statements.

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(A Blended Component Unit of the City of New York)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from:		
Cash collections	\$ 3,901,487	\$ 18,250,589
Overages due to taxpayers	(10,578)	(5,117)
Total cash receipts from operating activities	<u>3,890,909</u>	<u>18,245,472</u>
Cash payments for:		
Bond issuance and interest costs	(6,263)	(233,247)
Other services	(274,732)	(692,884)
Total cash payments for operating activities	<u>(280,995)</u>	<u>(926,131)</u>
Net Cash Provided by Operating Activities	<u>3,609,914</u>	<u>17,319,341</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Bond retired	(3,578,899)	(17,016,557)
Transfer to New York City Tax Lien 1998-2 Trust	(7,647,935)	-
Net Cash Used in Noncapital Financing Activities	<u>(11,226,834)</u>	<u>(17,016,557)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(5,954,939)	(21,355,621)
Sale of investments	13,206,591	20,930,714
Interest received on investments	113,939	326,884
Net Cash Provided by (Used in) Investing Activities	<u>7,365,591</u>	<u>(98,023)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(251,329)	204,761
Cash and cash equivalents - beginning of year	<u>251,329</u>	<u>46,568</u>
CASH AND CASH EQUIVALENTS—END OF YEAR	<u>\$ -</u>	<u>\$ 251,329</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 832,580	\$ 2,671,655
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease in allowance for doubtful accounts	-	(69,970)
Write-offs of uncollectible liens	168,809	292,670
Amortization	12,906	12,906
Tax liens receivable	3,091,194	14,308,382
Accounts payable and accrued liabilities	(472,471)	168,373
Accrued bond interest payable	(12,526)	(59,558)
Overages due to taxpayers	(10,578)	(5,117)
Net Cash Provided by Operating Activities	<u>\$ 3,609,914</u>	<u>\$ 17,319,341</u>

See accompanying notes to financial statements.

NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

NYCTL 2021-A Trust (the “Trust”) is a Delaware statutory trust formed on December 8, 2021. The Trust is governed by a Declaration and Agreement of Trust dated December 8, 2021 between the City of New York (the “City”) and the Wilmington Trust Company of Wilmington, Delaware (the “Owner Trustee”). Tax lien sales are authorized by Chapter 3 of Title 11 of the Administrative Code of the City. In accordance with a purchase and sale agreement between the Trust and the City, the Trust was created to acquire certain tax liens (Note 5) from the City in exchange for the proceeds from bonds issued by the Trust, net of reserves funded by bond proceeds and bond issuance costs.

The Trust’s intended purpose is the collection of delinquent tax and utility receivables, including appropriate interest, fees and service charges, and the eventual distribution of net proceeds back to the originating City fund. Accordingly, the Trust is not intended to function as an independent business.

Although legally separate from the City, the Trust is an instrumentality of the City and, accordingly, is included in the City’s financial statements as a blended component unit.

The City is the sole beneficiary of the Trust and is entitled to receive distributions from the Trust after payments to bondholders and certain reserve requirements have been satisfied. The City is not entitled to cause the Trust to make distributions to it while bonds remain outstanding.

The Trust does not have any employees. In addition to its interaction with various City agencies, the Trust’s affairs are administered by the Owner Trustee, its program manager, tax lien servicer, paying agent and investment custodian.

The trust entered into an agreement (the “Assignment Agreement”) as of October 31, 2024 to transfer all of its rights and obligations to the NYCTL-2 Trust. In accordance with the Assignment Agreement, the NYCTL 1998-2 Trust will pay the administrative expenses incurred after October 31, 2024 and any costs associated with the transfer.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. As a governmental activity, the Trust reports its activities in business-type financial statements.

The financial statements of the Trust, which include the statements of net position, statements of revenues, expenses and changes in net position and the statements of cash flows, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board (“GASB”) standards. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted where resources are constrained for debt service or redemption in accordance with the bond indenture. The balance of the net position is classified as unrestricted.

When both restricted and unrestricted resources are available for use for a specific purpose, it is the Trust’s policy to use restricted resources first then unrestricted resources as they are needed.

B. Cash equivalents include short-term investments with maturities of three months or less at date of acquisition.

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(A Blended Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- C. The Trust records tax liens receivable based on the amounts that are receivable for real estate taxes, water rents, sewer surcharges and other charges. Interest that accrues on the outstanding balances as well as certain other costs, such as public notices that can be recovered from the taxpayer as part of the tax lien balance are capitalized. The Trust establishes an allowance for doubtful accounts by comparing tax lien receivable balances with the estimated fair value of the properties subject to the liens as provided by the City. The Trust also considers certain factors related to specific properties, such as environmental issues and where other tax liens have legal priority over the Trust's tax liens, in determining the adequacy of its allowance for doubtful accounts.
- D. Bond discounts are amortized on the straight-line method and are recorded as a component of bond interest expense. Bond issuance costs are expensed in the year the bonds are issued (see Note 6).
- E. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Trust's management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of additions and deductions in net position during the reporting period. Actual results could differ from those estimates.
- F. The Trust distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. The principal operating revenues include tax liens received from the City and interest on tax liens. Major operating expenses include distributions to the City of New York.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Trust's cash and cash equivalents consist of cash in demand deposit accounts and money market funds. As of June 30, 2025, the Trust has no cash and cash equivalents as a result of the transfer of assets to the NYCTL 1998-2 Trust on October 31, 2024 (see Note 9). As of June 30, 2024, total cash and cash equivalents were \$251,329, of which \$27,342 was in excess of Federal Deposit Insurance Corporation ("FDIC") coverage.

NOTE 4 – RESTRICTED INVESTMENTS

The Trust has limited its investments to those eligible investments specified in its agreement with its paying agent and investment custodian, which is The Bank of New York Mellon. The eligible investments are obligations of, or guaranteed by, the U.S. government, Fannie Mae, Freddie Mac or the Federal Farm Credit System; certain highly rated certificates of deposit (or similar instruments), certain highly-rated municipal obligations; certain highly-rated commercial paper (or similar instruments), certain investment agreements with highly-rated institutions; certain repurchase obligations with highly-rated institutions, certain highly-rated corporate securities (that do not exceed 20% of its investments); and certain highly-rated taxable money market funds.

The Trust is required under its bond indenture to maintain separate accounts, representing restricted investments:

- 1) Bond Account – an account established by the paying agent, which receives daily transfers from lockbox accounts to which payments received from property owners on tax liens are deposited. The paying agent uses this account to make principal and interest payments on the bonds, as well as payments for other expenses of the Trust, in order or priority specified in the bond indenture.
- 2) Interest Reserve Fund – initially funded out of the proceeds from the sale of bonds, this fund maintains an amount equal to six months of interest on outstanding bonds and is to be used solely to pay interest on the bonds in the event there are insufficient funds in the Bond Account for these interest payments. The Interest Reserve Fund is replenished from the Bond Account.
- 3) Working Capital Reserve Fund – initially funded out of proceeds from the sale of bonds in the amount of \$3,400,000, this fund is used to pay lien administration expense and the base fee to the tax lien servicers

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

to the extent amounts of deposit in the Bond Account are insufficient for such purpose. The Working Capital Reserve Fund is replenished from the Bond Account.

NOTE 4 – RESTRICTED INVESTMENTS (Continued)

As of June 30, 2024, the amounts held in each of these funds were as follows:

	<u>2024</u>
Bond Account	\$ 4,155,267
Interest Reserve	84,174
Working Capital Reserve Fund	<u>3,012,211</u>
Total Restricted Investments	<u><u>\$ 7,251,652</u></u>

All of the funds were invested in various short-term investment funds. The Trust has no restricted investments as of a result of the transfer of assets to the NYCTL 1998-2 Trust as of June 30, 2025 (see Note 9).

Risk Disclosure

Interest Rate Risk – Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Trust does not invest in any long-term investment obligations.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Trust does not have a formal credit risk policy other than restrictions to obligations allowable under the General Municipal Law of the State of New York.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of investments of collateral securities that are in possession of an outside party. As of June 30, 2024, the Trust's investment balances of \$7,251,652 were in the Invesco Government & Agency Portfolio securities held by Bank of New York Mellon in the Trust's name. As of June 30, 2025, the Trust had no restricted investments as a result of the transfer of assets to the NYCTL 1998-2 Trust on October 31, 2024 (see Note 9).

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer.

NOTE 5 – TAX LIENS RECEIVABLE

A tax lien is a lien on a parcel of real estate located in the City securing unpaid real property taxes, assessments, sewer rents, sewer surcharges, water rents and other City charges, such as environmental charges, Department of Housing Preservation and Development charges and business improvement district charges. In addition to these unpaid items, a tax lien also includes the costs of any advertisements and notices given in connection with the sale of the tax lien, that had become a lien against the property prior to the sale of the lien to the Trust, and interest and penalties accrued at various rates up to the time of sale of the lien to the Trust. In addition, a tax lien also includes a surcharge of 5% on all of the aforementioned amounts computed through the date of the sale to the Trust. The total of these amounts described in this paragraph represents the tax lien principal balance as of the date of the sale to the Trust. The City is required to redeem or replace any tax liens that are determined to be defective, in accordance with the provisions of the bond indenture. As the bond indenture has been discharged, the City may elect to reduce its distributions for defective liens.

Subsequent to the purchase of the tax liens by the Trust, the tax liens accrue interest at the annual rate of 5% or 18% depending on the underlying assessed value of the properties to which the liens are attached, compounded daily. In addition, certain costs incurred by the Trust are eligible to be capitalized as part of the tax lien balance. Special rules for calculating tax lien amounts apply to bankruptcy tax liens.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 5 – TAX LIENS RECEIVABLE (Continued)

The Trust has the right to foreclose and take title to properties for which related tax lien collection efforts are unsuccessful. Such properties are referred to as real estate owned (“REO”). As of June 30, 2025 and 2024, the Trust did not have title to any properties.

The Trust has agreements with both Tower Capital Management LLC, Inc. and MTAG Services, LLC for servicing, managing, maintaining custody of certain documents and collection activities on its tax liens.

The Trust may be unable to recover the amount of certain tax liens, including accumulated interest and capitalized expenses, when the value of the related property is less than the amount of the tax lien, where other tax liens have legal priority over the Trust’s tax liens, or where the court awards a reduced expense amount. The Trust has not recorded an allowance for an uncollectible tax liens as of June 30, 2025 and recorded \$837,275 as of June 30, 2024.

The changes in the tax liens receivable for the years ended June 30, 2025 and 2024 were as follows:

	<u>Gross tax lien receivable balance</u>
Balance as of June 30, 2023	\$ 50,438,453
Add: Accrued interest on outstanding lien	4,209,795
Accrued legal expenses	393,213
Accrued recoverable costs	(660,801)
Less: Cash collections in satisfaction of liens and costs	(18,250,589)
Write-offs of uncollectible lien and defective liens	<u>(292,670)</u>
Balance as of June 30, 2024	35,837,401
Accrued interest on outstanding lien	1,141,583
Less: Cash collections in satisfaction of liens and costs	(3,901,487)
Accrued recoverable costs	(331,290)
Write-offs of uncollectible lien and defective liens	(168,809)
Tax liens receivable transferred to NYCTL 1998-2 Trust	<u>(32,577,398)</u>
Balance as of June 30, 2025	<u>\$ -</u>

NOTE 6 – BONDS PAYABLE

On February 15, 2022, the Trust issued Tax Lien Collateralized Bonds, Series 2021-A for the principal amount of \$88,864,000.

The Trust's Indenture includes events of default, certain of which (relating to failure to pay debt service, insolvency, material misrepresentations) could result in acceleration of tax lien trust bonds if so directed by Indenture Trustee or the Holders of Bonds representing more than 50% of the Aggregate Current Principal Amount of the Outstanding Bonds.

The tax liens purchased by the Trust are secured by the assessed value of the properties to which the liens are attached. The Trust has the right to foreclose and take title to properties for which related tax lien collection efforts are unsuccessful. The Trust may be unable to recover the amount of certain tax liens when the value of the attached property is less than the amount of the tax lien, where other tax liens have legal priority over the Trust’s tax liens, or where the court awards a reduced expense amount.

NYCTL 2021-A TRUST
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 6 – BONDS PAYABLE (Continued)

The following is a summary of changes in the principal amounts of the Trust's Tax Lien Collateralized Bonds, Series 2021-A for the years ended June 30:

	Balance at June 30, 2023	Retired	Amortization of Discount	Balance at June 30, 2024	Retired	Amortization of Discount	Balance at June 30, 2025
Class A	<u>\$ 20,569,644</u>	<u>\$ (17,016,557)</u>	<u>\$ 12,906</u>	<u>\$ 3,565,993</u>	<u>\$ (3,578,899)</u>	<u>\$ 12,906</u>	<u>\$ -</u>

The stated maturity of the bonds is November 10, 2034. However, the bonds were fully repaid on August 12, 2024. Collections on tax liens are used to pay accrued interest on the Class A bonds and then principal on the bonds. The timing of the repayment of the principal amount of the bonds and all accrued interest is entirely dependent upon the redemption of the tax liens or the liquidation of any real estate owned resulting from foreclosure.

The interest rate on the bonds is fixed at 2.10%. The closing date of the bonds was February 15, 2022. Interest expense has been recorded in the amount of \$19,169 and \$246,153 for the fiscal years ended June 30, 2025 and 2024, respectively.

NOTE 7 – FAIR VALUE HIERARCHY

The Trust categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

As of June 30, 2024, the Trust's investments amounted to \$7,251,652. The Trust's investments are stated at net asset value (Level 2 inputs). There were no investments as of June 30, 2025 due to the transfer of assets to NYCTL 1998-2 Trust (See Note 9).

NOTE 8 – LITIGATION

A number of parties contesting the foreclosure of tax liens previously sold by the City have challenged, among other things, (i) the power of the City to sell tax liens to the trusts, (ii) the power of the City to sell tax liens when some tax liens are less than a year old, (iii) the enforceability of tax liens when a tax certiorari challenge is pending, (iv) the power of the City to restore tax charges that were not previously billed, (v) the 5% surcharge and the applicable interest rate on the tax liens, (vi) the standing of the Indenture Trustee to foreclose on the tax liens, (vii) the priority of tax liens over other liens, (viii) failure by the City to give proper or adequate notice of the tax lien sale and (ix) that the upset price bid in a tax lien foreclosure auction in the amount of the Redemptive Value of the tax lien is fraudulent. In addition, legal challenges to the collection of the tax liens have alleged violations of the Federal Fair Debt Collection Practices Act, the Truth in Lending Act, the New York General Business Law, the New York General Obligation Law, breach of contract and unjust enrichment. To date, no such action or challenge has been successful after completion of the appeal process. Certain parties have also asserted individual defenses against the enforcement of tax liens on properties, such as improper billing, full or partial payment prior to sale, the partial or full tax-exempt status of properties, the existence of forbearance agreements with the City or Trust, or inadequate service of process. The outcome of these challenges is not expected to have a material negative impact on the Trust, as the City is required to redeem or replace defective liens. No assurance can be given that similar or other actions will not be brought against the Trust.

NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 9 – ASSIGNMENT AND ASSUMPTION AGREEMENT

The Trust entered into an agreement (the “Assumption Agreement”) as of October 31, 2024 to transfer all of its rights and obligations to the NYCTL 1998-2 Trust which will pay all the administrative expenses incurred after October 31, 2024 and any costs associated with the transfer. A summary of the assets and liabilities transferred on October 31, 2024 is as follows:

ASSETS:	
Cash	\$ 146,379
Restricted investments	7,501,556
Tax liens receivable	32,577,398
Allowance for uncollectible tax liens	<u>(837,275)</u>
Total Assets	<u>\$ 39,388,058</u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 784,070
Eliminations due to/from Trust	1,868
Overages due to taxpayers	<u>6,455</u>
Total Liabilities	792,393
TOTAL NET POSITION	<u>38,595,665</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 39,388,058</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Wilmington Trust Company
NYCTL 2021-A Trust:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States financial statements of the business-type activities of the NYCTL 2021-A Trust (the "Trust"), a blended component unit of the City of New York, as of as of June 30, 2025 and for the year then ended, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated September 19, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance 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 Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 over financial reporting 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust'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 disclose 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 results of that testing, and not to provide an opinion on the effectiveness of the Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other person.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 19, 2025