

NYC TECHNOLOGY DEVELOPMENT CORPORATION
(A Component Unit of The City of New York)

Financial Statements

As of June 30, 2014 and 2013 and
for the Year Ended June 30, 2014 and the Period
January 1, 2013 (inception) through June 30, 2013
(With Independent Auditor's Report Thereon)

NYC TECHNOLOGY DEVELOPMENT CORPORATION
(A Component Unit of The City of New York)

FINANCIAL STATEMENTS

(Together with Independent Auditor's Report)

**AS OF JUNE 30, 2014 AND 2013 AND
FOR THE YEAR ENDED JUNE 30, 2014 AND THE PERIOD
JANUARY 1, 2013 (INCEPTION) THROUGH JUNE 30, 2013**

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (Unaudited)	3 – 5
Basic Financial Statements:	
Government-Wide Financial Statements	
Statements of Net Position	6
Statements of Activities	7
General Fund Financial Statements	
General Fund Balance Sheets	8
General Fund Statements of Revenues, Expenditures, and Changes in Fund Balances	9
Notes to Financial Statements	10 – 13

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
NYC Technology Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the NYC Technology Development Corporation (the "Corporation"), a component unit of The City of New York, as of June 30, 2014 and 2013, and for the year ended June 30, 2014 and for the period January 1, 2013 (inception) to June 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation'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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 Corporation'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 Corporation'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 respective financial position of the governmental activities and the general fund of the Corporation, as of June 30, 2014 and 2013, and the respective changes in financial position thereof for the year ended June 30, 2014 and for the period January 1, 2013 (inception) to June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 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 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 audits 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.

Deloitte : Touche LLP

September 19, 2014

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

As of June 30, 2014 and 2013 and
for the year ended June 30, 2014 and the period
January 1, 2013 (inception) through June 30, 2013
(Unaudited)

The following is a narrative overview and analysis of the financial activities of NYC Technology Development Corporation ("TDC" or the "Corporation") as of June 30, 2014 and 2013 and for the year ended June 30, 2014 and the period January 1, 2013 (inception) through June 30, 2013. It should be read in conjunction with TDC's government-wide financial statements, general fund financial statements and the notes to the financial statements.

The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the general fund financial statements; and (4) the notes to the financial statements.

The government-wide financial statements, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the Corporation as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of TDC's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

TDC's general fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred.

As of June 30, 2014 and 2013, all of TDC's assets are currently available financial resources and there are no general long-term liabilities. Therefore, there are no differences between the government-wide financial statements and the general fund financial statements for fiscal year 2014 and the period January 1, 2013 (inception) through June 30, 2013, and thus no reconciliations are provided.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – ENTITY-WIDE FINANCIAL STATEMENTS

TDC was incorporated for the purpose of enhancing The City of New York's (the "City") ability to effectively manage and deploy information technology ("IT") projects through (i) attracting, developing and retaining highly experienced and skilled IT professionals; (ii) successfully delivering large, critical, and cross-agency IT projects in a timely and cost-effective manner; (iii) providing a common framework, resources, best practices and diagnostics for large IT projects; and (iv) providing and supporting citywide governance over IT programs, environments and services.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis (continued)

As of June 30, 2014 and 2013 and
for the year ended June 30, 2014 and the period
January 1, 2013 (inception) through June 30, 2013
(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – ENTITY-WIDE FINANCIAL STATEMENTS (continued)

Under its contract with the City, TDC provides four broad categories of “program services”: (i) senior management services for three major City IT initiatives named in the contract and for other IT projects, upon the request of the City’s Chief Information and Innovation Officer (“CIIO”), and, under certain circumstances, also upon the approval of a supermajority of the Board of Directors; (ii) solution architect services; (iii) multi-agency vendor management services; and (iv) portfolio management and additional IT consulting services, as directed by the CIIO.

TDC’s contract with the City was registered on December 24, 2012, and the Corporation began operations on January 1, 2013. Pursuant to this contract, TDC receives quarterly payments that cover its projected expenses for the forthcoming quarter. During fiscal year 2014 and during the period January 1, 2013 (inception) through June 30, 2013, TDC received \$3.5 million and \$1.8 million in contractual payments from the City, respectively.

Expenses incurred during fiscal year 2014 were \$4.0 million and primarily consisted of salaries and consulting fees for personal services in connection with accomplishing its purpose of enhancing the City’s ability to effectively manage and deploy IT projects. Part of the increase in expenses in fiscal year 2014 is attributable to the fact that it was TDC’s first full fiscal year of operations. In accordance with the City’s and TDC’s plan to build TDC’s capacity to support the City’s largest and most complex IT projects, TDC’s staff of IT professionals increased during fiscal year 2014 from 8 to 12. The Corporation also added a Director of Support Services to help organize and optimize TDC’s expanding operations. Adding these new resources enabled TDC to undertake a number of significant new projects including management of the Harlem free public outdoor wi-fi network, re-architecture of the 311 system, development of the Universal Pre-K outreach and enrollment system, accelerated planning and development of a system for processing applications and issuing municipal identification cards scheduled to be available to New York City residents by December 2014, and an assessment of two divisions of NYPD’s IT operations to result in strategic and operational recommendations.

As of June 30, 2014, TDC’s assets totaled \$458 thousand and primarily consisted of unrestricted cash and cash equivalents, which were used to meet period obligations of \$481 thousand. As of June 30, 2013, TDC’s assets were \$1.0 million and primarily comprised of \$949 thousand in cash and cash equivalents of which \$516 thousand were used to meet its period obligations. In addition, TDC’s assets in fiscal year 2013 included a \$65 thousand security deposit – held by ADP Total Source in accordance with an agreement with TDC. The security deposit was released by ADP in fiscal year 2014 and became available to pay period expenses.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis (continued)

As of June 30, 2014 and 2013 and
for the year ended June 30, 2014 and the period
January 1, 2013 (inception) through June 30, 2013
(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GENERAL FUND FINANCIAL STATEMENTS

As previously stated, all of TDC's assets are currently available financial resources and there are no general long-term liabilities. As such, assets, liabilities, revenues and expenses/expenditures are the same on both, the government-wide financial statements and the general fund financial statements for fiscal year 2014 and the period January 1, 2013 (inception) through June 30, 2013, and thus no reconciliations are provided.

This financial report is designed to provide a general overview of TDC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to the Treasurer, NYC Technology Development Corporation, 15 Metrotech Center, 19th Floor, Brooklyn, NY 11201.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Statements of Net Position (Deficit)

As of June 30, 2014 and 2013

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
ASSETS:		
Unrestricted cash and cash equivalents	\$ 457	\$ 949
Prepaid insurance	1	1
Security deposit	-	65
	<hr/>	<hr/>
Total assets	458	1,015
	<hr/>	<hr/>
LIABILITIES:		
Accrued expenses	481	225
Due to The City of New York	-	291
	<hr/>	<hr/>
Total liabilities	481	516
	<hr/>	<hr/>
NET POSITION (DEFICIT):		
Unrestricted (deficit)	(23)	499
	<hr/>	<hr/>
TOTAL NET POSITION (DEFICIT)	<u>\$ (23)</u>	<u>\$ 499</u>

See accompanying notes to financial statements.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Statements of Activities

For the year ended June 30, 2014 and the period
January 1, 2013 (inception) through June 30, 2013
(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
REVENUES:		
Program revenue	\$ 3,489	\$ 1,797
Total revenues	<u>3,489</u>	<u>1,797</u>
EXPENSES:		
Salaries	2,057	635
Fringe benefits	279	62
Rent	175	110
Administrative	54	16
Professional fees	11	12
Management fees	67	50
Consulting fees	1,368	413
Total expenses	<u>4,011</u>	<u>1,298</u>
CHANGE IN NET POSITION (DEFICIT)	<u>(522)</u>	<u>499</u>
NET POSITION (DEFICIT) - Beginning of year	499	-
NET POSITION (DEFICIT) - End of year	<u>\$ (23)</u>	<u>\$ 499</u>

See accompanying notes to financial statements.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

General Fund Balance Sheets

As of June 30, 2014 and 2013

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
ASSETS:		
Unrestricted cash and cash equivalents	\$ 457	\$ 949
Prepaid insurance	1	1
Security deposit	-	65
	<hr/>	<hr/>
Total assets	<u>458</u>	<u>1,015</u>
LIABILITIES:		
Accrued expenses	481	225
Due to The City of New York	-	291
	<hr/>	<hr/>
Total liabilities	<u>481</u>	<u>516</u>
FUND BALANCES:		
Nonspendable	1	1
Unassigned	(24)	498
	<hr/>	<hr/>
Total fund balances	<u>(23)</u>	<u>499</u>
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 458</u>	<u>\$ 1,015</u>

See accompanying notes to financial statements.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

General Fund Statements of Revenues, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2014 and the period
January 1, 2013 (inception) through June 30, 2013

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
REVENUES:		
Program revenue	\$ 3,489	\$ 1,797
Total revenues	<u>3,489</u>	<u>1,797</u>
EXPENDITURES:		
Salaries	2,057	635
Fringe benefits	279	62
Rent	175	110
Administrative	54	16
Professional fees	11	12
Management fees	67	50
Consulting fees	1,368	413
Total expenditures	<u>4,011</u>	<u>1,298</u>
Net changes in fund balances	(522)	499
FUND BALANCES - Beginning of year	<u>499</u>	<u>-</u>
FUND BALANCES - End of year	<u>\$ (23)</u>	<u>\$ 499</u>

See accompanying notes to financial statements.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements

As of June 2014 and 2013 and
for the year ended June 30, 2014 and the period
January 1, 2013 (inception) through June 30, 2013

(1) Organization

NYC Technology Development Corporation (“TDC” or the ‘Corporation’) is a Type C not-for-profit corporation organized under the Not-For-Profit Corporation Law of the State of New York (the “State”). TDC is governed by a Board of Directors appointed by the sole Member of the Corporation, the Mayor of the City of New York (the “City”). The Board may have up to seven members and is required to have a minimum of three members. The Mayor is authorized to appoint up to four members of his own discretion, three of whom are to be appointed by virtue of holding their City position, and one private member. The City Comptroller is authorized to recommend two members for appointment by the Mayor, one by virtue of holding his or her City position and one private member. The Speaker of the Council of the City is authorized to recommend one more private member for appointment. TDC’s By-Laws require the vote of a supermajority of all but one of the then appointed members of the Board to take certain actions. Although legally separate from the City, TDC is an instrumentality of the City and, accordingly, is included in the City’s financial statements as a blended component unit in accordance with Governmental Accounting Standards Board (“GASB”) standards.

TDC was incorporated for the purpose of enhancing the City’s ability to effectively manage and deploy information technology (“IT”) projects through (i) attracting, developing and retaining highly experienced and skilled IT professionals; (ii) successfully delivering large, critical, and cross-agency IT projects in a timely and cost-effective manner; (iii) providing a common framework, resources, best practices and diagnostics for large IT projects; and (iv) providing and supporting citywide governance over IT programs, environments and services.

Under its contract with the City, TDC provides four broad categories of “program services”: (i) senior management services for three major City IT initiatives named in the contract and for other IT projects, upon the request of the City’s Chief Information and Innovation Officer (“CIIO”), and, under certain circumstances, also upon the approval of a supermajority of the Board of Directors; (ii) solution architect services; (iii) multi-agency vendor management services; and (iv) portfolio management and additional IT consulting services, as directed by the CIIO.

TDC’s contract with the City was registered on December 24, 2012, and the Corporation began operations on January 1, 2013. Pursuant to this contract, TDC receives quarterly payments that cover its projected expenses for the forthcoming quarter. In fiscal year 2014, TDC received \$3.5 million in contractual payments from the City.

TDC’s staff of information technology professionals provides the services that TDC was created to perform, but most of its legal and financial affairs are administered by employees of the City and another component unit of the City, for which TDC reimburses and pays a management and overhead fee based on its allocated share of personnel and overhead costs.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

As of June 30, 2014 and 2013 and
for the year ended June 30, 2014 and the period
January 1, 2013 (inception) through June 30, 2013

(2) Summary of Significant Accounting Policies

The government-wide financial statements of TDC, which include the statements of net position and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board (“GASB”) standards. The government-wide 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.

TDC’s general fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are generally considered available if expected to be received within one year after period-end. Expenditures are recognized when the related liability is incurred.

TDC uses a general fund (“GF”) to report its activities. The GF is used to account for all financial resources and activities that relates to TDC’s administrative and operating expenditures.

Fund balances of the general fund are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned or 5) unassigned.

Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with TDC’s Trust Indenture, are classified as restricted on the statements of net position (deficit) and the general fund balance sheets.

The Board of Directors (the “Board”) of TDC constitutes TDC’s highest level of decision-making authority. If and when resolutions are adopted by the Board that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose unless and until a subsequent resolution altering the commitment is adopted by the Board.

If and when fund balances are constrained for use for a specific purpose based on the direction of any officer of TDC who is duly authorized to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment.

Resources that are not constrained are reported as unrestricted in the statements of net position (deficit) and unassigned in the general fund balance sheets.

When both restricted and unrestricted resources are available for use for a specific purpose, it is TDC’s policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is TDC’s policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

As of June 30, 2014 and 2013 and
for the year ended June 30, 2014 and the period
January 1, 2013 (inception) through June 30, 2013

(2) Summary of Significant Accounting Policies, continued

Investments are reported at fair value as of the reporting date.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires TDC's management to make estimates and assumptions in determining the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

As a component unit of the City, TDC implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards which may impact TDC in future years.

- In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* ("GASB 67"). GASB 67 establishes financial reporting standards for defined benefit pensions and defined contribution pensions that are administered through trusts or equivalent arrangements. The requirements of GASB 67 are effective for fiscal years beginning after June 15, 2013. The adoption of GASB 67 did not have an impact on TDC's financial statements as it is not applicable pension administered entity.
- In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers. The requirements of GASB 68 are effective for fiscal years beginning after June 15, 2014. The adoption of GASB 68 did not have an impact on TDC's financial statements as it does not have a defined benefit plan.
- In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB 69"). GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. GASB 69 is effective for financial statement periods beginning after December 15, 2013. The adoption GASB 69 did not have an impact on TDC's financial statements as it has no disposals of operations.
- In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB 70"). GASB 70 establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. GASB 70 is effective for financial statement periods beginning after June 15, 2013. The adoption of GASB 70 did not have an impact on TDC's financial statements as it has no nonexchange transactions.

NYC TECHNOLOGY DEVELOPMENT CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements (continued)

As of June 30, 2014 and 2013 and
for the year ended June 30, 2014 and the period
January 1, 2013 (inception) through June 30, 2013

(2) Summary of Significant Accounting Policies, continued

- In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (“GASB 71”). GASB 71 eliminates a potential source of understatement of restated beginning net position and expense in a government’s first year of implementing Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of GASB 71 are effective for fiscal years beginning after June 15, 2014. The adoption of GASB 71 did not have an impact on TDC’s financial statements as it has no defined contribution plan.

(3) Cash and Cash Equivalents

As of June 30, 2014 and 2013, TDC’s cash was comprised of unrestricted bank deposits in the amounts of \$238 thousand and \$200 thousand, respectively and there were no differences between the carrying amounts and bank balances. At June 30, 2014 and 2013, accounts with balances up to \$250 thousand were covered by Federal Deposit Insurance Corporation (“FDIC”) insurance.

As of June 30, 2014 and 2013, TDC’s cash equivalents were comprised of Treasury Money Market Funds in the amount of \$219 thousand and \$749 thousand, respectively.

(4) Defined Contribution Plan

Effective September 1, 2013, TDC offered its employees, through ADP Total Source, a deferred compensation plan in accordance with the Internal Revenue Code 401k. Eligibility is available from the first day of employment and TDC matches 100 percent of the contributed amount up to a maximum of four percent of employee compensation. Plan assets are held under an insurance contract issued by an insurance company or in a trust for the exclusive use of the participants and their beneficiaries and are invested in accordance with participant instructions. Accordingly, at June 30, 2014, plan assets and liabilities were not reflected in the accompanying financial statements.
