



MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
September 27, 2019

A regular meeting of the Directors of New York City Economic Development Corporation ("NYCEDC") was held, pursuant to notice by an Assistant Secretary, on Friday, September 27, 2019, at NYCEDC's offices at One Liberty Plaza, in Conference Center A/B, New York, New York.

The following Directors of NYCEDC were present:

Cheryl Adolph (by conference telephone)
William Candelaria
Wilton Cedeno (by conference telephone)
Marlene Cintron (by conference telephone)
Jon Cohen (as alternate for Vicki Been)
Hector Cordero-Guzman (by conference telephone)
Lorraine Cortes-Vazquez (by conference telephone)
Mitchell Draizin (by conference telephone)
Robert Englert (by conference telephone)
Matthew Hiltzik (by conference telephone)
Tanya Levy-Odom (by conference telephone)
James McSpiritt
Gail Mellow (by conference telephone)
Patrick J. O'Sullivan, Jr.
James Patchett
Michael Schlein
Matthew Washington (by conference telephone)
Betty Woo

Lou Roberts, a partner of Ernst & Young LLP ("EY"), members of NYCEDC staff and a member of the public also were present.

The meeting was chaired by Michael Schlein, Chairperson of NYCEDC, and called to order at 8:39 a.m. Meredith Jones, Executive Vice President, General Counsel and Secretary of NYCEDC, served as secretary of the duly constituted meeting, at which a quorum was present. (Attached hereto as Attachment 1 is a definition sheet that contains the definitions of certain frequently used terms contained in the Exhibits attached hereto.)

1. Approval of the Minutes of the August 13, 2019 Regular Meeting of the Board of Directors

There being no questions or comments with respect to the minutes of the August 13, 2019 regular meeting of the Board of Directors, as submitted, a motion was made to approve such minutes, as submitted. Such motion was seconded and unanimously approved.

2. Report of NYCEDC's President

At this time, Mr. Patchett addressed the Board and highlighted a few of the key projects and initiatives from his President's report that had been provided to the Directors.

Mr. Patchett also discussed some recent internal activities, such as the continued progress made on punch list items for NYCEDC's new office space at One Liberty Plaza, the launch of NYCEDC's new website at www.edc.nyc, and the furthering of NYCEDC's Corporate Social Responsibility initiative by holding a volunteer event to support "Operation Backpack," during which NYCEDC staff filled over 200 backpacks with school supplies for New York City children living in homeless and domestic violence shelters.

Mr. Draizin and Ms. Mellow joined the meeting at this time.

3. Women.nyc Presentation

At this time, Faye Penn, Executive Director of Women.nyc, provided a presentation to the Board on the Women.nyc initiative. Ms. Penn provided some historical background on Women.nyc, a program aimed at helping women succeed in New York City. She then discussed some of the program's key tools, programs and initiatives and what new activities it planned in the future. Ms. Penn also pointed out some of the key aspects of the Women.nyc website.

4. Election of Officers

Under NYCEDC's Bylaws, the Board shall elect such Executive Vice Presidents and Senior Vice Presidents as it may from time to time determine. At this time, Mr. Patchett proposed that Lindsay Clinton be elected as an Executive Vice President and that each of Joy Ardizzzone, Justin Kreamer and Rosa Vasquez be elected as a Senior Vice President. A description of certain responsibilities of Executive Vice Presidents and Senior Vice Presidents may be found in Article IV of the Bylaws. It was anticipated that Ms. Clinton would head the Initiatives Department, Ms. Ardizzzone would oversee the Records Management Department and would also continue to be Records Management Officer, Mr. Kreamer would oversee the Partnerships Department, and Ms. Vasquez would oversee certain activities of the Human Resources Department. Each shall perform such duties as are assigned to her/him by NYCEDC's President.

Mr. Patchett then summarized the backgrounds of Ms. Clinton, Ms. Ardizzone, Mr. Kreamer and Ms. Vasquez.

A motion was made to elect Lindsay Clinton as an Executive Vice President of NYCEDC and each of Joy Ardizzone, Justin Kreamer and Rosa Vasquez as a Senior Vice President of NYCEDC. Such motion was seconded and unanimously approved. The position of each of Lindsay Clinton, Joy Ardizzone, Justin Kreamer and Rosa Vasquez as an officer shall be conditioned upon the continuance of her or his employment by NYCEDC.

5. Performance Measurement Report

The Public Authorities Law requires NYCEDC to annually review its mission statement and measurements by which the performance of NYCEDC and the achievement of its goals may be evaluated and, on February 6, 2019, NYCEDC's Board approved a mission statement and performance measures.

The New York State Authorities Budget Office ("ABO") requires that NYCEDC annually report on performance results with regard to the approved measures. NYCEDC's report with regard to the performance measures for Fiscal Year 2019 ("FY2019") and a chart that includes definitions/explanations of how the information in the measurement report was determined are included in Exhibit A attached hereto. For comparison purposes, the measurements for FY2018 and FY2017 are also included in Exhibit A. Ms. Ariño then summarized the results.

At this time, a motion was made to accept the performance measurement report set forth in Exhibit A hereto. Such motion was seconded and unanimously approved.

Mr. Hiltzik left the meeting at this time.

6. Financial Report Pursuant to Section 2800 of the Public Authorities Law and Annual Investment Report

Fred D'Ascoli, a Senior Vice President, Assistant Treasurer and Controller of NYCEDC, presented the proposed audited financial statements of NYCEDC for FY2019, which, pursuant to Section 2800 of the Public Authorities Law, are to be submitted to various City officials and ABO. ABO has also designated a form in which a financial report containing information from the financials is to be submitted. The Board of Directors of NYCEDC is to approve the audited financials and the financial report that are submitted. The financial report and audited financials are attached as Exhibit B hereto.

Mr. D'Ascoli then noted a few highlights in the documents. At this time, Amy Chan, a Vice President, Assistant Treasurer and Deputy Controller of NYCEDC, summarized the financials. There are certain blank dates in the attached reports of the auditors, which dates will be filled in after the Board approves the financial statements.

Ms. Chan also indicated that the Board of Directors of NYCEDC had adopted investment policies, procedures and guidelines (the "Investment Guidelines"). The adopted Investment Guidelines require the Board of Directors of NYCEDC to approve an annual investment report containing specified information and to submit the report to the City's Mayor and Comptroller and the New York State Department of Audit and Control. The annual investment report for FY2019 is attached as Exhibit C hereto. There are certain blank dates in the reports of the auditors included in Exhibit C, which dates will be filled in after the Board approves the Annual Investment Report.

Mr. D'Ascoli stated that the proposed financial statements and Annual Investment Report for FY2019 had been examined by EY, represented at this meeting by Lou Roberts, a partner of EY, and that upon the Board's approval EY would be issuing a clean, unmodified auditor's opinion.

At this time, Mr. Candelaria, Chairman of NYCEDC's Audit Committee, stated that the Audit Committee had met with the external auditors of EY and that it had reviewed the financial statements, financial report and annual investment report. He added that NYCEDC's staff did an excellent job of moving the process forward for the timely delivery of the financials, and he commended their hard work. In conclusion, Mr. Candelaria stated that the Audit Committee recommended to the Board that it approve the statements and reports in Exhibits B and C and their submission as required. Lastly, Mr. Candelaria noted that due to legally required rotation, this would be the last year with Lou Roberts as NYCEDC's audit partner, and he thanked Mr. Roberts for his years of valuable service to NYCEDC.

Approval of Section 6 Matters

A motion was then made to adopt the resolutions set forth in Exhibits B and C hereto. Such motion was seconded and unanimously approved.

7. Land Sale to Jughandle Realty, LLC

Mikhael Abebe, an Associate of NYCEDC, presented a proposal for NYCEDC (i) to purchase from New York City Land Development Corporation Block 14260, part of Lot 1 on the Tax Map of the Borough of Queens (the "Site"), an approximately 6.15-acre property that is a portion of an approximately 8.66-acre parcel of land (the "Jughandle Property") owned by The City of New York, and to subsequently sell the Site to Jughandle Realty, LLC or an affiliated entity (the "Purchaser"), (Jughandle Realty, LLC is owned by Bartlett Dairy, Inc., a family-owned dairy distribution company), (ii) to obligate itself to provide an option and right of first refusal for the approximately 2.51-acre balance of the Jughandle Property title to which would be retained by the City (the "Adjacent City Property") if it elects to offer a lease therefor, and (iii) to enter into and provide any related agreements and documents and consents to effectuate transactions, on substantially the terms set forth in Exhibit D hereto.

A motion was made (i) to approve the matters set forth for approval in the Proposed Resolutions section of Exhibit D hereto and (ii) to resolve that there was no

reasonable alternative to the proposed transfer of the Site to the Purchaser that would achieve the same purpose as the transfer. Such motion was seconded and unanimously approved.

8. Approval

With respect to the approved items set forth above, it was understood that authorization and approval of such matters included authorization for the President and other empowered officers to execute the necessary legal instruments, and for the President and other empowered officers to take such further actions as are or were necessary, desirable or required, to implement such matters substantially on the terms described above.

9. Adjournment

There being no further business to come before the meeting, pursuant to a motion made, seconded and unanimously approved the meeting of the Board of Directors was adjourned at 9:45 a.m.

Assistant Secretary

Dated: _____
New York, New York

DEFINITIONS

Apple	Apple Industrial Development Corp.
Armand	Armand Corporation d/b/a Armand of New York
BAT	Brooklyn Army Terminal
Bovis	Bovis Lend Lease LMB, Inc.
CDBG	Federal Community Development Block Grant
CDBG-DR Funds	Federal Community Development Block Grant-Disaster Recovery Program funds
CEQR	City Environmental Quality Review process
City DEP	New York City Department of Environmental Protection
City DOT	New York City Department of Transportation
City Parks	New York City Department of Parks and Recreation
City Planning	New York City Department of City Planning or City Planning Commission
CM	A construction manager
CM Contract	A construction management contract
DCAS	New York City Department of Citywide Administrative Services
EIS	Environmental Impact Statement
ESDC	New York State Urban Development Corporation d/b/a Empire State Development Corporation
FEMA	Federal Emergency Management Agency
FM	A facilities manager
FM/CM Contract	A facilities management/construction management contract
Funding Source Agreement	Any agreement necessary to obtain funds for the Project, including IDA Agreements
Gilbane.....	Gilbane Building Company
HDC	New York City Housing Development Corporation
HPD	New York City Department of Housing Preservation and Development
Hunter Roberts	Hunter Roberts Construction Group, L.L.C.
IDA	New York City Industrial Development Agency
IDA Agreement	Agreement with IDA pursuant to which IDA retains NYCEDC to accomplish all or part of the Project and reimburses NYCEDC for the costs of the work
LiRo	LiRo Program and Construction Management, PE P.C.
LMDC	Lower Manhattan Development Corporation
McKissack	The McKissack Group, Inc. d/b/a McKissack & McKissack
MOU	A memorandum of understanding
NYCEDC	New York City Economic Development Corporation, survivor of a

November 1, 2012 merger of a local development corporation (the "LDC") named New York Economic Development Corporation with and into New York City Economic Growth Corporation. References to NYCEDC prior to such merger are references to the LDC.

NYCHA	New York City Housing Authority
NYCLDC	New York City Land Development Corporation
Noble Strategy	Noble Strategy NY Inc.
OMB	New York City Office of Management and Budget
Port Authority	The Port Authority of New York and New Jersey
RFP	Request for Proposals
Sanitation	New York City Department of Sanitation
SBS	New York City Department of Small Business Services
SEMO	New York State Emergency Management Office
SEQR	State Environmental Quality Review process
Skanska	Skanska USA Building Inc.
State DEC	New York State Department of Environmental Conservation
State DOS	New York State Department of State
State DOT	New York State Department of Transportation
State Parks	New York State Office of Parks, Recreation and Historic Preservation
Tishman	Tishman Construction Corporation of New York
Turner	Turner Construction Company
ULURP	Uniform Land Use Review Procedure

Authority Performance Measurement Report for Fiscal Years 2019, 2018 and 2017

Exhibit A

Name of Public Authority: New York City Economic Development Corporation ("NYCEDC")

Performance Measures	FY18 to FY19 Changes (Up/Down/Neutral)	FY19 Actuals 7/1/18-6/30/19	FY18 Actuals 7/1/17-6/30/18	FY17 Actuals 7/1/16-6/30/17
Management of core assets				
Occupancy rate of NYCEDC-managed property	↔	95.1%	95.0%	94.8%
Square footage of assets actively managed by NYCEDC	↑	65,849,738	64,923,730	63,545,911
Revenue generated by NYCEDC asset portfolio*	↑	\$257,877,325	\$237,121,510	\$186,206,294
Strengthening the city's competitive position; inclusive innovation and economic growth				
Number of businesses served by industry-focused programmatic initiatives	↑	1,775	1,538	2,604
Percentage of private sector jobs in innovation industries (calendar year)**	↔	14.6%	14.7%	14.7%
MWBE participation rate (Local Law 1)	↑	26.0%	23.1%	15.0%
MWBE commitment rate (Local Law 1)*	↔	30.8%	31.2%	30.6%
MWBE award rate (Local Law 1)	↓	30.2%	31.9%	25.0%
Facilitate investments that grow quality jobs				
Projected new private investment leveraged on the sale/long-term lease of City-owned property	↑	\$1,200,620,973	\$1,140,437,209	\$798,544,261
Percentage of project employees that were reported to be earning a Living Wage or more in the previous fiscal year **	↑	98% (FY18)	95% (FY17)	95% (in FY16)
Capital expenditures related to asset management*	↓	\$67,295,474	\$94,990,314	\$106,849,902
Total jobs at Project Locations (New York City Administrative Code §22-823)**	↓	202,407 (FY18)	217,245 (FY17)	213,798 (FY16)
Cultivate dynamic, resilient, livable communities throughout the five boroughs				
Average monthly NYC Ferry ridership	↑	472,571	341,672	136,463***
Total capital expenditures (excluding asset management and funding agreements)*	↓	\$216,007,851	\$233,146,967	\$217,625,448
Square feet of graffiti removed	↑	7,086,500	6,138,750	5,720,250
Percentage of active projects in boroughs outside of Manhattan**	↑	77% (FY18)	75% (FY17)	76% (FY16)

* FY18 and FY17 data have been revised to reflect NYCEDC's audited financial statements or updates to available data.

** This metric represents the prior fiscal year data, which is the most recent data available.

*** This metric represents East River Ferry ridership, prior to the launch of the NYC Ferry service.

Definitions/Explanations - Authority Performance Measurement Report for Fiscal Years 2019, 2018 and 2017

Performance Measures	Definitions
Management of core assets	
Occupancy rate of NYCEDC-managed property	For NYCEDC-managed properties, the number of square feet leased as a percent of the total available space.
Square footage of assets actively managed by NYCEDC	The square footage of assets in which NYCEDC, on behalf of the City, is responsible for the day to day management and leasing of the property.
Revenue generated by NYCEDC asset portfolio	Revenue generated from NYCEDC's portfolio of assets.
Strengthening the city's competitive position; Inclusive Innovation and economic growth	
Number of businesses served by industry-focused programmatic initiatives	The number of businesses actively enrolled in NYCEDC's Center for Urban Innovation/Initiative-sponsored programmatic initiatives, including NYCEDC's incubator network and centers for excellence, technology competitions, partnership funds and programmatic ventures throughout the five boroughs.
Percentage of private sector jobs in Innovation Industries (calendar year)	The share of jobs within sectors designated as "advanced," "innovative" and "creative" by the Brookings Institution, HR&A Advisors and the NYCEDC's Center for Urban Innovation as a percent of all private sector jobs. This indicator is reported on a calendar year basis.
MWBE participation rate (Local Law 1)	The ratio of MWBE contract expenditures to total contract expenditures with MWBE goals. Participation/attainment is referring to payments.
MWBE commitment rate (Local Law 1)	Portion of the total contract value that contracted parties indicate they will dedicate to MWDBE firms. Commitment is basically the goal on the contract, whether or not specific awards have been made. Commitment is known at contract execution.
MWBE award rate (Local Law 1)	Actual MWBE awards made to individual firms on NYCEDC contracts. Awards are specific awards to MWBE firms. May or may not be known at contract execution (won't be with CM and retainer contracts, for example).
Facilitate Investments that grow quality jobs	
Projected new private investment leveraged on the sale/long-term lease of City-owned property	The net present value of the total investment of private entities in connection with the sale or long-term lease of City-owned property. Private investment includes land sale or lease, and hard (site work and building construction) and soft (architecture and engineering) development costs. The data is extrapolated in the year that the transaction closes (land sale closing or lease execution), and reflects the anticipated total private investment associated with these projects.
Percentage of project employees that were reported to be earning a Living Wage or more in the previous fiscal year	The number of employees on projects receiving financial assistance from New York City Industrial Development Agency, Build NYC Resource Corporation, or NYCEDC programs that earned a living wage or more than a living wage as defined by the Fair Wages for New Yorkers Act as a percent of the total number of project employees.
Capital expenditures related to asset management	Based on an accrual basis, the amounts paid to firms (architecture, landscape architecture, engineering, resident engineering, etc.), construction managers, construction contractors, etc. for capital project related services on NYCEDC-managed property.
Total jobs at Project Locations (New York City Administrative Code §22-823)	All Full-Time Equivalent jobs at Project Locations as reported during a given annual period pursuant to New York City Administrative Code §22-823 (the "Annual Investment Projects Report"). Every year, through the Annual Investment Projects Report, NYCEDC provides information on projects supporting investment, job creation, job retention, and growth in New York City. This FY18 Annual Investment Projects Report included information on 488 projects receiving Financial Assistance in the form of loans, grants, and tax or energy benefits. The report also includes information on 53 sales and 89 leases of City-owned land.
Cultivate dynamic, resilient, livable communities throughout the five boroughs	
Average monthly ferry ridership	The average monthly ridership of commuters traveling on the NYC Ferry system as reported to NYCEDC. For FY17, the data came from the ridership of the East River Ferry.
Total capital expenditures (excluding asset management and funding agreements)	Based on an accrual basis, the amounts paid to firms (architecture, landscape architecture, engineering, resident engineering, etc.), construction managers, construction contractors, etc. for capital project related services. The FY17 and FY18 numbers have been updated to reflect NYCEDC's audited financial statements.
Square feet of graffiti removed	The square feet of graffiti removed by power-washing and painting through Graffiti-Free NYC, the City's graffiti removal program.
Percentage of active projects in boroughs outside of Manhattan	The percentage of all Projects as reported during a given annual period pursuant to the Annual Investment Projects Report, which are located in boroughs outside of Manhattan.

Exhibit B

**FINANCIAL REPORT PURSUANT TO SECTION 2800 OF THE
PUBLIC AUTHORITIES LAW
Board of Directors Meeting
September 27, 2019**

WHEREAS, the Public Authorities Accountability Act of 2005, as amended (the "PAAA"), includes NYCEDC in its definition of a local authority; and

WHEREAS, Section 2800 of the Public Authorities Law (a part of the PAAA) requires a local authority to submit to various City officials and the New York State Authorities Budget Office ("ABO") audited financials with regard to the previous fiscal year; and

WHEREAS, ABO has also designated a form in which a financial report containing information from the financials is to be submitted; and

WHEREAS, the Board of Directors of the local authority is to approve the audited financials and the financial report that are submitted; and

WHEREAS, attached hereto are the audited financials and financial report that NYCEDC proposes to submit with regard to the fiscal year ended June 30, 2019; and

WHEREAS, there are certain blank dates in the attached reports of the auditors, which dates will be filled in after the Board approves the financial statements.

NOW, THEREFORE, RESOLVED that the Board approves (i) the attached financial report and audited financial statements and related documents with regard to NYCEDC's fiscal year ended June 30, 2019, with the understanding that the blank dates in the reports of the auditors will be filled in after the Board approves the audited financial statements, and (ii) their submission, with the dates filled in, pursuant to Section 2800 of the Public Authorities Law.

STAFF: Spencer Hobson, Executive Vice President and Treasurer
Fred D'Ascoli, Senior Vice President and Assistant Treasurer
Amy Chan, Vice President and Assistant Treasurer



Annual Report for New York City Economic Development Corporation

Fiscal Year Ending: 06/30/2019

Run Date: 09/18/2019
Status: UNSUBMITTED
Certified Date: N/A

Summary Financial Information

SUMMARY STATEMENT OF NET ASSETS

Assets			Amount
Current Assets			
Cash and cash equivalents			\$202,810,715.00
Investments			\$96,212,594.00
Receivables, net			\$316,258,661.00
Other assets			\$3,158,316.00
Total Current Assets			\$618,440,286.00
Noncurrent Assets			
Restricted cash and investments			\$202,921,451.00
Long-term receivables, net			\$14,831,959.00
Other assets			\$8,628,403.00
Capital Assets			
Land and other nondepreciable property			\$132,387,196.00
Buildings and equipment			\$256,623,110.00
Infrastructure			\$0.00
Accumulated depreciation			\$21,038,205.00
Net Capital Assets			\$367,972,101.00
			\$594,353,914.00
Total Noncurrent Assets			\$1,212,794,200.00
Total Assets			
Liabilities			
Current Liabilities			
Accounts payable			\$58,138,100.00
Pension contribution payable			\$0.00
Other post-employment benefits			\$0.00
Accrued liabilities			\$176,645,054.00
Deferred revenues			\$34,785,955.00
Bonds and notes payable			\$0.00
Other long-term obligations due within one year			\$5,512,958.00
Total Current Liabilities			\$275,082,067.00
Noncurrent Liabilities			

Annual Report for New York City Economic Development Corporation
Fiscal Year Ending 06/30/2019

Run Date: 09/18/2019
Status: UNSUBMITTED
Certified Date: N/A

Pension contribution payable		\$0.00
Other post-employment benefits		\$0.00
Bonds and notes payable		\$0.00
Long Term Leases		\$0.00
Other long-term obligations		\$375,960,524.00
Total Noncurrent Liabilities		\$375,960,524.00
Total Liabilities		\$651,042,591.00
Net Asset (Deficit)		
Net Assets		
Invested in capital assets, net of related debt		\$235,584,905.00
Restricted		\$46,340,412.00
Unrestricted		\$279,826,292.00
Total Net Assets		\$561,751,609.00

SUMMARY STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

	Amount
Operating Revenues	
Charges for services	\$492,772,689.00
Rental & financing income	\$239,824,543.00
Other operating revenues	\$21,584,502.00
Total Operating Revenue	\$754,181,734.00
Operating Expenses	
Salaries and wages	\$53,559,238.00
Other employee benefits	\$13,314,329.00
Professional services contracts	\$706,562,080.00
Supplies and materials	\$1,083,381.00
Depreciation & amortization	\$6,058,471.00
Other operating expenses	\$33,903,505.00
Total Operating Expenses	\$814,481,004.00
Operating Income (Loss)	(\$60,299,270.00)
Nonoperating Revenues	
Investment earnings	\$9,057,543.00
State subsidies/grants	\$0.00
Federal subsidies/grants	\$307,454.00
Municipal subsidies/grants	\$0.00
Public authority subsidies	\$0.00

Annual Report for New York City Economic Development Corporation

Fiscal Year Ending: 06/30/2019

Run Date: 09/18/2019
Status: UNSUBMITTED
Certified Date: N/A

	Other nonoperating revenues		\$0.00
	Total Nonoperating Revenue		\$9,364,997.00
Nonoperating Expenses			
	Interest and other financing charges		\$0.00
	Subsidies to other public authorities		\$0.00
	Grants and donations		\$0.00
	Other nonoperating expenses		\$213,699.00
	Total Nonoperating Expenses		\$213,699.00
	Income (Loss) Before Contributions		(\$51,147,972.00)
Capital Contributions			
Change in net assets			\$164,651,034.00
Net assets (deficit) beginning of year			\$113,503,062.00
Other net assets changes			\$448,248,547.00
Net assets (deficit) at end of year			\$561,751,609.00

**FINANCIAL STATEMENTS, REQUIRED
SUPPLEMENTARY INFORMATION, AND
SUPPLEMENTARY INFORMATION**

**New York City Economic Development Corporation
(A Component Unit of the City of New York)
Years Ended June 30, 2019 and 2018
With Report of Independent Auditors**

DRAFT

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Financial Statements, Required Supplementary Information,
and Supplementary Information

Years Ended June 30, 2019 and 2018

Contents

I. Financial Section

Report of Independent Auditors	1
--------------------------------------	---

Financial Statements

Management's Discussion and Analysis	4
Statements of Net Position (In Thousands)	13
Statements of Revenues, Expenses, and Changes in Net Position (In Thousands)	14
Statements of Cash Flow (In Thousands)	15
Notes to Financial Statements	17

Required Supplementary Information

Schedule of Changes in Net OPEB Liability	54
Schedule of OPEB Contributions	55

Supplementary Information

Combining Schedule of Revenues, Expenses, and Changes in Net Position (In Thousands)	56
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II. Government Auditing Standards Section

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 <i>Government Auditing Standards</i>	57
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PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

I. Financial Section

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of New York City Economic Development Corporation (NYCEDC), a component unit of the City of New York, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the NYCEDC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYCEDC as of June 30, 2019 and 2018, 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.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated _____, 2019, on our consideration of the NYCEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 NYCEDC'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 NYCEDC's internal control over financial reporting and compliance.

_____, 2019

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis

June 30, 2019 and 2018

This section of New York City Economic Development Corporation's (NYCEDC or the Corporation) annual financial report presents our discussion and analysis of NYCEDC's financial performance during the fiscal years ended June 30, 2019 and 2018. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2019 Financial Highlights

Net Position: \$562 million

- Cash, cash equivalents and investments decreased \$87 million (or 15%)
- Tenant receivables, net decreased \$11 million (or 14%)
- Capital assets, net, increased \$197 million (or >100%)
- Due from the City, net increased \$31 million (or 47%)
- Accounts payable and accrued expenses increased \$18 million (or 9%)
- Tenant security and deposits payables decreased \$26 million (or 37%)
- Other liabilities increased \$24 million (or >100%)

Change in Net Position: \$114 million increase

- Property rentals increased \$16 million (or 7%)
- Other income decreased \$7 million (or 17%)
- Property rental expenses increased \$21 million (or 24%)
- Ferry related expenses, net increased \$9 million (or 21%)
- Contract and other expenses to the City increased \$28 million (or 92%)
- Capital contribution increased \$165 million (or 100%)

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis(continued)

Overview of the Basic Financial Statements

This annual financial report consists of four parts: *management's discussion and analysis* (this section), *basic financial statements and footnote disclosures*, *required supplementary information* and *supplementary information*. NYCEDC is organized under the not-for-profit corporation law of the State of New York. NYCEDC is also a discretely presented component unit of the City of New York (the City). NYCEDC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Corporation.

While detailed sub-fund information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that NYCEDC is properly performing its contractual obligations.

Financial Analysis of the Corporation

Condensed Statements of Net Position

The Corporation adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of July 1, 2016. As a result, the Corporation's Net Position as of July 1, 2016, and the Statement of Revenues, and Expenses and Changes in Net Position for June 30, 2017, have been restated to reflect the required adjustments.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

The following table summarizes NYCEDC's financial position at June 30, 2019, 2018, and 2017 (dollars in thousands) and the percentage changes between June 30, 2019 and 2018:

	2019	2018	2017 (Restated)	% Change 2019-2018
Current assets	\$ 618,440	\$ 686,251	\$ 599,028	(10)%
Non-current assets	592,763	414,384	474,433	43%
Total assets	1,211,203	1,100,635	1,073,461	10%
Deferred outflows of resources	1,591	—	167	100%
Current liabilities	275,082	261,803	248,257	5%
Non-current liabilities	372,751	389,057	391,522	(4)%
Total liabilities	647,833	650,860	639,779	(0)%
Deferred inflows of resources	3,209	1,526	—	110%
Net position:				
Restricted	63,017	102,543	107,506	(39)%
Unrestricted	263,150	307,576	292,021	(14)%
Net investment in capital assets	235,585	38,130	34,322	518%
Total net position	\$ 561,752	\$ 448,249	\$ 433,849	25%

During fiscal year 2019 total assets increased \$110.6 million or 10%, primarily due to a net increase of \$197.5 million in capital assets, consisting of \$147.1 million in vessel acquisition costs for the operation of NYC Ferry services and a \$46.3 million increase in leasehold improvements for NYCEDC's new headquarters at One Liberty Plaza. In addition, a net receivable increase of \$30.6 million in Due from the City primarily resulted from a \$64.7 million receivable for vessel acquisitions, offset by an \$11.3 million decrease in other payables to the City. These increases in assets were offset by a \$87.0 million decrease in cash, cash equivalents, and investments largely used to fund the acquisition of the vessels and the construction of NYCEDC's new offices. Tenant receivables also decreased \$10.5 million due to the collection of prior year recognized revenue.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis(continued)

Financial Analysis of the Corporation (continued)

Total liabilities decreased \$3.0 million or less than 1%. Tenant security and escrow deposits payable decreased \$26.4 million, mainly due to the close out of multiple projects and the refund of certain escrow deposits to developers. The refunds consist of \$10.9 million for the Coney Island Amphitheater, \$9.1 million for Seward Park and \$6.0 million for the Battery Maritime Building. This decrease was offset by a \$21.6 million increase in other liabilities primarily due to the lease incentive landlord contribution of \$18.7 million provided to NYCEDC for leasehold improvements at the new headquarters. The lease incentive construction credit has been straight-lined and will be recognized over the life of the lease as an offset to rent expense through 2039.

The Corporation's overall net position during fiscal year 2019 increased \$113.5 million or 25% as a result of the fiscal year operating activities. This increase consisted of a \$197.5 million increase in net investment in capital assets which is offset by a \$56.2 million decrease in restricted net position and a \$27.8 million decrease in unrestricted net position.

Prior Year

During fiscal year 2018 total assets increased \$27 million or 3%, primarily due to increases in certain amounts receivable. \$13 million in tenant receivables was recognized from cruise operations at the Manhattan Cruise Terminal.

Other receivables increased \$14 million, mainly due to the initiation of a \$7 million loan program to support certified minority and women owned business enterprises and undercapitalized small businesses. In addition, NYCEDC realized \$4.5 million in shared commissions from the brokerage firm that coordinated a new lease agreement for NYCEDC's office space (see Note 20).

Total liabilities increased \$11 million or 2%. Unearned revenues increased \$16 million and included a real estate transaction in which the purchaser agreed to pre-pay \$7 million for future maintenance expenses of 420 Albee Square, in Brooklyn. Amounts due to the City increased \$10 million mainly due to an increase in city funding provided for the above-noted loan program and accounts payable and accrued expenses increased \$15 million. These increases were partially offset by a \$19 million decrease in obligation for OPEB associated with the newly adopted GASB 75 and a \$12 million reduction in deposits received on real estate sales which had been pending.

The Corporation's overall net position during fiscal year 2018 increased \$14.4 million or 3% over the restated net position for fiscal year 2017. This increase consisted of a \$19.4 million increase in unrestricted net position and net investment in capital assets, and was partially offset by a \$5 million decrease in restricted net position.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis (continued)

Operating Activities

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

The following table summarizes NYCEDC's change in net position for the fiscal years ended June 30, 2019, 2018, and 2017 (dollars in thousands) and the percentage changes between fiscal years 2019 and 2018:

	2019	2018	2017 (Restated)	% Change 2019-2018
Operating revenues:				
Grants	\$ 468,806	\$ 488,174	\$ 450,527	(4)%
Real estate sales, property rentals	239,733	223,080	186,329	7%
Fees and other income	45,643	49,867	41,601	(8)%
Total operating revenues	754,182	761,121	678,457	(1)%
Operating expenses:				
Project and program costs	487,600	490,021	461,096	0%
Property rental expenses	108,355	87,566	56,749	24%
Ferry related expenses, net	52,950	43,932	30,009	21%
Personnel services	66,873	64,242	59,039	4%
Contract expenses to the City	57,657	30,105	42,490	92%
Office rent and other expenses	41,046	35,256	22,875	16%
Total operating expenses	814,481	751,122	672,258	8%
Operating income	(60,299)	9,999	6,199	(703)%
Total non-operating income (expenses)	9,151	4,401	2,627	108%
Change in net position before capital contributions	(51,148)	14,400	8,826	(455)%
Capital contribution	164,651	—	—	100%
Change in net position	113,503	14,400	8,826	688%
Total net position, beginning of year	448,249	433,849	425,023	3%
Total net position, end of year	\$ 561,752	\$ 448,249	\$ 433,849	25%

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis(continued)

During fiscal year 2019, operating revenues decreased \$6.9 million or 1%, primarily due to a \$19.4 million decrease in reimbursable grants and a \$6.7 million decrease in other income, all of which was partially offset by a \$16.7 million increase in property rentals. The decrease in reimbursable grants is primarily due to an overall increase in NYCEDC self-funded projects including life science and other initiatives. Property rental revenue increased by \$16.6 million mainly due to additional rent recognized for properties at Forest City Pierpoint amounting \$14 million, Atlantic Center amounting to \$7 million and PILOT assessment increases of \$3 million for properties in the 42nd Street Development Project portfolio. These amounts were offset by a decrease in revenue from Brooklyn Renaissance Plaza of \$7 million as they refinanced facilities in fiscal year 2018 and \$22 million from Carnival Cruise Corporation as prior year revenue recognized for operations at Manhattan Cruise Terminal included retroactive passenger revenues dating back to 2005.

Operating expenses during fiscal year 2019 increased \$63.4 million. Property rental and related operating expenses increased by \$20.8 million due to additional maintenance and repair costs at various leased properties of approximately \$6 million, a reacquired leased space payment of \$4 million, additional incentive fees of \$3 million paid to the operator of the Manhattan Cruise Terminal and increased PILOT assessments for properties in the 42nd Street Development Project portfolio. Ferry related expenses increased \$9.0 million due to the full fiscal year of activity for all initially planned routes in the ferry system. Contract expenses to the City increased \$27.6 million due to an additional payment of \$30 million made to the City at the City's request. Office rent expenses increased by \$5.9 million or 45% due to the lease commencement for NYCEDC's new offices at One Liberty Plaza.

Accordingly, operating income decreased by \$70.3 million as compared to fiscal year 2018 with the Corporation recognizing a net operating loss of \$60.3 million during fiscal year 2019.

Non-Operating Activities

Total non-operating revenues for fiscal years 2019 and 2018 were \$9.2 million and \$4.4 million, respectively. The fiscal year 2019 total was primarily due to investment income which was a \$4.6 million increase from fiscal year 2018.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis (continued)

Capital Contributions

Primarily driven by NYCEDC's ownership of ferry vessels acquired with City funding, NYCEDC will now recognize capital contributions in its changes in net position. Capital contributions are realized at the time NYCEDC incurs costs for the acquisition and/or construction of City-funded capital assets managed and used by NYCEDC in its operations. During fiscal year 2019, NYCEDC recognized \$164.7 million of capital contributions, of which \$153.1 million was for vessel acquisitions for the NYC Ferry system, and \$9.1 million relates to leasehold improvements for the build out of space occupied by NYC Small Business Services within NYCEDC's newly leased office space.

Net Position

The Corporation's net operating loss for the fiscal year of \$60.3 million has been offset by capital contributions of \$164.7 million and non-operating revenue of \$9.2 million. As a result, the Corporation recognized an increase in net position of \$113.5 million during fiscal year 2019. This constitutes an increase of \$99.1 million or 688% as compared with fiscal year 2018, mainly driven by the recognition of capital contributions.

Prior Year

During fiscal year 2018, operating revenues increased \$82.6 million or 12%, primarily due to a \$38 million increase in reimbursable grants, a \$35 million increase in property rental revenue and a \$10 million increase in other income. The increase in reimbursable grants is primarily the result of increased activities at the Coney Island West project and for the NYC Ferry program, as well as priority flood mitigation projects on behalf of the City's H+H Corporation (previously Health and Hospitals Corp). Property rental revenue increased by \$35 million due to passenger volume revenue recognized from Carnival Cruise Corporation's operations at the Manhattan Cruise Terminal, and from a tenant's refinancing of the facilities at the Brooklyn Renaissance Plaza. Other income increased \$10 million, mainly due to the transfer of development rights at 420 Albee Square in Brooklyn.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis(continued)

Operating expenses during fiscal year 2018 increased \$78.9 million. Program and project costs increased by \$29 million primarily due to the grant funded projects noted above. Property rental and related operating expenses increased by \$31 million which included \$4.6 million for a restructured long term agreement with the Hunts Point Meat Market, \$4.2 million in pass-through rental revenues for NYC Parks Department, and \$16.7 million in general operating increases for various repairs, maintenance and professional service expenses for the property portfolios. Ferry related expenses increased \$14 million due to several factors including sustaining the first full year of ferry services, the launch of the Astoria route and preparation for the Soundview and Lower East Side routes, and the overall increase in services to meet unexpected demand.

Accordingly, operating income increased by \$3.8 million from fiscal year 2017 with the Corporation recognizing total operating income of \$10.0 million during fiscal year 2018.

Non-Operating Activities

Total non-operating revenues for fiscal years 2018 and 2017 were \$4.4 million and \$2.6 million, respectively. The fiscal year 2018 total was all due to investment income which was a \$2.9 million increase from fiscal year 2017.

Net Position

The Corporation recognized an increase in net position of \$14.4 million during fiscal year 2018. This constitutes an increase of \$5.6 million or 3% as compared with fiscal year 2017.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis(continued)

Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2019, 2018 and 2017 (dollars in thousands) and the percentage change between June 30, 2019 and 2018:

	2019	2018	2017	% Change 2019-2018
Leasehold improvements	\$ 28,947	\$ 26,539	\$ 16,906	9%
Equipment and computer software	15,974	10,750	10,235	49%
Vessels	132,308	6,000	6,000	2105%
Work-in progress - vessels	20,754	—	—	100%
Work-in progress – other	58,640	9,821	12,701	497%
	<u>256,623</u>	<u>53,110</u>	<u>45,842</u>	<u>383%</u>
Less accumulated depreciation and amortization	(21,038)	(14,980)	(11,520)	40%
Net capital assets	<u>\$ 235,585</u>	<u>\$ 38,130</u>	<u>\$ 34,322</u>	<u>518%</u>

Additional information about NYCEDC's capital assets is presented in Note 9 to the financial statements.

Contacting NYCEDC's Financial Management

This financial report is designed to provide our customers, clients and the public with a general overview of NYCEDC's finances and to demonstrate NYCEDC's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer of New York City Economic Development Corporation, One Liberty Plaza, New York, NY 10006, or visit NYCEDC's website at: <https://www.nycedc.com/about-nycedc/contact-us>.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statements of Net Position (In Thousands)

	June 30	
	2019	2018
Assets		
Current assets		
Cash and cash equivalents – current	\$ 60,620	\$ 92,080
Restricted cash and cash equivalents – current	142,191	124,844
Unrestricted investments	55,387	111,515
Restricted investments	40,826	41,482
Current portion of loans and mortgage notes receivable	6,300	5,518
Due from the City, including \$191,577 and \$163,411, respectively, under contracts with the City	235,363	215,672
Tenant receivables, net of allowance for uncollectible amounts of \$30,136 and \$28,817, respectively	62,790	73,241
Prepaid expenses and other current assets	3,158	3,607
Other receivables	11,805	18,292
Total current assets	618,440	686,251
Non-current assets:		
Restricted cash and cash equivalents	145,724	154,844
Unrestricted investments	39,897	54,721
Restricted investments	17,301	9,544
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of \$930 and \$866 respectively)	14,832	21,623
Capital assets, net	235,585	38,130
OPEB asset	1,984	–
Land held for development, at cost	132,387	132,387
Other assets	5,053	3,135
Total non-current assets	592,763	414,384
Total assets	1,211,203	1,100,635
Deferred outflows of resources		
Derivative instrument – fuel futures	1,591	–
Liabilities		
Current liabilities		
Accounts payable and accrued expenses, including \$92,713 and \$105,744, respectively, under contracts with the City	209,434	191,314
Deposits received on pending sales of real estate	12,538	13,116
Due to the City: real estate obligations and other	12,811	18,968
Unearned revenue	34,786	34,885
Other liabilities	5,513	3,520
Total current liabilities	275,082	261,803
Non-current liabilities:		
Tenant security and escrow deposits payable	45,019	71,426
Net OPEB liability	–	1,563
Due to the City: real estate obligations	125,020	130,154
Unearned revenue, including unearned grant revenue of \$26,196 and \$28,154, respectively, under contracts with the City	135,645	136,582
Retainage payable	43,338	47,158
Other liabilities	23,729	2,174
Total non-current liabilities	372,751	389,057
Total liabilities	647,833	650,860
Deferred inflows of resources		
Deferred inflows of resources related to OPEB	3,209	250
Deferred inflows of resources related to fuel futures	–	1,276
Total deferred inflows of resources	3,209	1,526
Net position:		
Restricted by law or under various agreements	63,017	102,543
Unrestricted	263,150	307,576
Net investment in capital assets	235,585	38,130
Total net position	\$ 561,752	\$ 448,249

See accompanying notes.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statements of Revenues, Expenses, and Changes in Net Position (In Thousands)

	Year Ended June 30	
	2019	2018
Operating revenues:		
Grants	\$ 468,806	\$ 488,174
Property rentals	230,481	214,523
Real estate sales, net	9,252	8,557
Fee income	12,333	9,835
Other income	33,310	40,032
Total operating revenues	754,182	761,121
Operating expenses:		
Project costs	114,880	98,086
Program costs	372,720	391,935
Property rentals and related operating expenses	108,355	87,566
Ferry related expenses, net	52,950	43,932
Personnel services	66,873	64,242
Contract and other expenses to the City	57,657	30,105
Office rent	18,912	12,999
Other general expenses	22,134	22,257
Total operating expenses	814,481	751,122
Operating (loss) income	(60,299)	9,999
Non-operating revenues (expenses):		
Income from investments	9,057	4,446
Other non-operating (expense)/income	94	(45)
Total non-operating revenues, net	9,151	4,401
Change in net position before capital contribution	(51,148)	14,400
Capital contribution	164,651	-
Change in net position	113,503	14,400
Net position, beginning of year	448,249	433,849
Net position, end of year	\$ 561,752	\$ 448,249

See accompanying notes.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statements of Cash Flow (In Thousands)

	Year Ended June 30	
	2019	2018
Cash flows from operating activities		
Real estate sales	\$ 8,674	\$ 9,556
Property rentals	240,833	192,235
Grants from the City	472,195	502,743
Fee income	11,333	10,833
Other income	34,960	33,455
Project costs	(112,112)	(124,690)
Program costs	(385,727)	(373,968)
Property rentals and related operating expenses	(104,471)	(76,379)
Ferry expenses	(57,825)	(43,747)
Personnel services	(65,136)	(62,995)
Contribution to OPEB trust	—	(20,000)
Office rent	(8,693)	(9,234)
Contract and other expenses to the City	(40,871)	(26,728)
Other general and administrative expenses	(2,206)	(12,720)
Repayments of loans and mortgage receivable	2,760	(4,704)
Tenant security and escrow deposits	(26,407)	7,387
Other	4,965	(5,476)
Net cash (used in) provided by operating activities	(27,728)	(4,432)
Cash flows from capital and related financing activities		
Purchase of capital assets	(156,291)	(6,869)
Non-operating revenues	87,878	—
Net cash used in capital and related financing activities	(68,413)	(6,869)
Cash flows from investing activities		
Sale of investments	384,485	156,523
Purchase of investments	(320,634)	(137,563)
Deposits on land	—	238
Interest income	9,057	4,445
Net cash provided by (used in) investing activities	72,908	23,643
Net increase in cash and cash equivalents	(23,232)	12,342
Cash and cash equivalents, beginning of year	371,768	359,426
Cash and cash equivalents, end of year	<u>\$ 348,535</u>	<u>\$ 371,768</u>

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Statements of Cash Flow (In Thousands) (continued)

	Year Ended June 30	
	2019	2018
Reconciliation of operating (loss) income to net cash provided by operating activities		
Operating income	\$ (60,299)	\$ 9,999
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,058	3,060
Changes in operating assets, liabilities and deferred inflow/outflow of resources:		
Due to/from the City	42,394	11,955
Other non-current assets	(1,918)	(1,260)
Tenant receivables	10,451	(12,884)
Prepaid expenses and other receivables	7,030	(13,396)
Loans and mortgage notes receivable	6,009	(4,704)
Tenant security and escrow deposits payable	(26,407)	7,387
Accounts payable and accrued expenses	(25,705)	14,505
Deposits received on pending sales of real estate	(578)	(11,647)
Net OPEB liability	(3,547)	(19,248)
Unearned grant revenue	(1,036)	15,625
Deferred inflows of resources	92	1,526
Retainage payable	(3,820)	(7,414)
Other current liabilities	1,993	1,646
Other non-current liabilities	21,555	418
Net cash (used in) provided by operating activities	(27,728)	\$ (4,432)
Supplemental disclosures of non-cash activities		
Unrealized gain (loss) on investments	\$ 2,574	\$ 218

See accompanying notes.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements

June 30, 2019

1. Background and Organization

The accompanying financial statements include the assets, liabilities, net position and the financial activities of the New York City Economic Development Corporation (NYCEDC or the Corporation).

NYCEDC is a not-for-profit corporation organized under the New York State Not-for-Profit Corporation Law (the NPCL) that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). NYCEDC's primary activities consist of rendering a variety of services to administer certain economic development programs on behalf of the City of New York (the City) relating to the attraction, retention and expansion of commerce and industry in the City. These services and programs include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within the City, and the provision of financial assistance to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided under two annual contracts with the City: the amended and restated contract (Master Contract) and the Maritime Contract. The services provided under these contracts and other related agreements with the City are herein referred to as the Contract Services.

In order to provide these services, NYCEDC primarily generates revenues from property rentals and real estate sales. To present the financial position and the changes in financial position of NYCEDC's rental portfolio in a manner consistent with the limitations and restrictions placed upon the use of resources and NYCEDC's contractual agreements with the City and other third parties, NYCEDC classifies its asset management operations into the following five portfolios:

Commercial Leases Portfolio: NYCEDC manages property leases between the City and various commercial and industrial tenants. For ground leases, these agreements include restrictions on the use of the land to the construction or development of commercial, manufacturing, industrial or residential facilities. The leases also generally provide for minimum rentals plus provisions for additional rent.

Brooklyn Army Terminal Portfolio: The Brooklyn Army Terminal (BAT) is an industrial property owned by the City that is leased to NYCEDC. Under the terms of the BAT lease, a reserve account of \$500,000 was established from net BAT revenues for property operating and capital expenses.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

1. Background and Organization (continued)

Maritime Portfolio: This portfolio was established to account for NYCEDC's management and maintenance of wharf, waterfront, public market, public aviation, and intermodal transportation properties and the NYC Ferry system on the City's behalf pursuant to the Maritime Contract.

Other Properties Portfolio: This portfolio was established to account for the activities of certain City-owned properties and other assets for which NYCEDC assumed management responsibilities. Pursuant to various agreements between NYCEDC and the City, the net revenue from three of the properties is retained for property operating and capital expenses or for expenses of projects in the area. The retained amounts as of June 30, 2019 and 2018, were \$2.2 million and \$3.3 million, respectively.

42nd Street Development Project Portfolio: This portfolio was established as a joint effort between the City and the State to redevelop the 42nd Street district into a vibrant office and cultural center. Ownership of all the properties was transferred from the State to the City by October 31, 2012. NYCEDC then assumed management and administrative responsibilities for all leases in connection with the 42nd Street Development Project (Note 14).

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

NYCEDC follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. In its accounting and financial reporting, the Corporation follows the pronouncements of the Governmental Accounting Standards Board (GASB).

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements(continued)

2. Summary of Significant Accounting Policies (continued)

Recently Issued GASB Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017. The primary objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The statement is effective for fiscal years beginning after December 15, 2018. The Corporation is evaluating the impact this standard will have on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Provisions of this statement are effective for fiscal years beginning after December 15, 2019. The Corporation is evaluating the impact this standard will have on the Corporation's financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this statement are effective for fiscal years beginning after June 15, 2018. The adoption of this standard did not impact the financial statements.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Provisions of this statement are effective for fiscal years beginning after December 15, 2019. The Corporation does not anticipate any related impact on its financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. Provisions of this statement are effective for fiscal years beginning after December 15, 2018. The Corporation is evaluating the impact this standard will have on its financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Provisions of this statement are effective for fiscal years beginning after December 15, 2020. The Corporation does not anticipate the adoption of this standard to have an impact on the financial statements.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue and Expense Classification

NYCEDC distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing the Contract Services to the City in connection with NYCEDC's principal on-going operations. The principal operating revenues are grants from and through the City, rentals of City-owned property, and sales of property (see Real Estate Sales under this Note). NYCEDC's operating expenses include project and program costs, property maintenance charges, and general administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is NYCEDC's policy to use restricted resources first, and then unrestricted resources as needed.

Grants

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

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

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

Other grants are recorded as revenue when earned.

Property Rental Revenue

Property rental revenue is recognized on a straight-line basis over the term of the leases.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Real Estate Sales

Proceeds from sales of City-owned properties, other than proceeds in the form of a promissory note from the purchaser in favor of NYCEDC, are recognized as income at the time of closing of the sale. For property sales in which NYCEDC accepts a long-term promissory note from a purchaser in lieu of cash, in addition to the note receivable, the corresponding unearned revenue is recorded at the time of closing. Due to collectability risks associated with these promissory notes, such unearned revenue is amortized into income ratably as payments are made.

Deposits received from prospective purchasers prior to closing are included in the accompanying statements of net position as deposits received on pending sales of real estate.

Retainage Payable

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

Loans and Mortgage Notes Receivable

Loans to finance the acquisition of land and buildings are generally repayable over a 15 to 25 year period. Generally, all such loans for acquisition are secured by second mortgages or other security interests and carry below market interest rates. NYCEDC has also provided loans to City businesses to advance certain economic development objectives.

NYCEDC provides an allowance for loan losses based on an analysis of a number of factors, including the value of the related collateral. Based on established procedures, NYCEDC writes off the balances of those loans determined by management to be uncollectible.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and on hand, money market funds, money market deposit accounts, applicable certificates of deposit and highly liquid debt instruments with original maturities of three months or less. Cash equivalents are stated at fair value, other than certificates of deposit, which are valued at cost.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investments

Investments held by NYCEDC are recorded at fair value.

Restricted Cash and Investments

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

Capital Assets

Capital asset purchases for internal use by NYCEDC in excess of \$10,000 and consisting primarily of vessels operating under the NYC Ferry system, leasehold improvements and equipment are capitalized. Vessels are depreciated over a useful life of 25 years. Leasehold improvements are depreciated using the straight-line method over the shorter of the life of the lease or the estimated useful life assigned. Leasehold improvements have useful lives from 7 to 20 years. The Corporation also uses the straight-line method for depreciating or amortizing furniture and equipment over the estimated useful life assigned. The useful life of furniture and equipment varies from three to five years.

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

Tax Status

The currently reported income of NYCEDC qualifies for exclusion from gross income for federal income tax purposes under IRC Section 115.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Capital Contributions

Capital contributions are realized at the time NYCEDC incurs costs for the acquisition and/or construction of City-funded capital assets managed and used by NYCEDC in its operations. During fiscal year 2019, NYCEDC recognized \$164.7 million of capital contributions, of which \$153.1 million was for vessel acquisitions for the NYC Ferry system, and \$9.1 million relates to leasehold improvements for the build out of space occupied by NYC Department of Small business Services within NYCEDC's newly leased office space at One Liberty Plaza.

Reclassifications

Certain reclassifications have been adjusted in the prior year financial statements to conform to the current year's presentation.

3. Contracts With the City of New York

NYCEDC Master Contract

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

In partial consideration of the services rendered by NYCEDC pursuant to the Master Contract, NYCEDC may retain (1) net revenues resulting from the sale or lease of City-owned properties, and (2) certain interest and other related income received by NYCEDC for financing programs administered on behalf of the City, up to a cap. Income self-generated by NYCEDC, including interest earned on all cash accounts related to unrestricted operations and certain fees earned for services rendered that are not payable by the City, may be retained by NYCEDC under the Master Contract without regard to the contract cap.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

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

Pursuant to section 11.05 of the Master Contract, at any time upon written request of the Mayor of the City or his designee, NYCEDC must remit to the City assets having a fair market value up to the amount, if any, by which NYCEDC's unrestricted net position exceeds \$7 million. At the direction of the City, NYCEDC remitted \$33.6 and \$8.9 million from its unrestricted net position in fiscal years 2019 and 2018, respectively, which are accounted for under contract and other expenses to the City in the statements of revenues, expenses and changes in net position.

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

Maritime Contract

The City and NYCEDC have entered into the Maritime Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of waterfront, intermodal transportation, market, freight and aviation development and commerce.

The services provided under this contract include (1) retaining maritime business and attracting maritime business to the City, (2) managing, developing, maintaining, and promoting the City's waterfront, markets, aviation, freight and intermodal transportation, including the NYC Ferry system, and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

In the performance of its services under the Maritime Contract, NYCEDC collects monies, including but not limited to, rents and other revenues from tenants of certain City-owned properties managed by NYCEDC in connection with its maritime program. In consideration of the services rendered by NYCEDC pursuant to the Maritime Contract, the City has agreed to pay NYCEDC for all costs incurred in the furtherance of the City's objectives under this contract, to the extent such costs have been provided for in the City-approved budget (the Budget) as called for by the Maritime Contract. Any Reimbursable Expenses, as defined in the Maritime Contract, may be retained by NYCEDC out of the net revenues generated on the City's behalf, to the extent such expenses are not provided for in the Budget (the Reimbursed Amount). Net revenues generated on the City's behalf for services under the Maritime Contract in excess of the Reimbursed Amount

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

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

must be remitted to the City on a periodic basis. Historically, at the direction of the City, NYCEDC was required to remit \$16.7 million for each fiscal year pursuant to the Maritime Contract, and such amounts were included in contract and other expenses to the City. Beginning in fiscal year 2017, to partially offset the cost of establishing and operating the NYC Ferry service (Note 12), this amount was not required to be remitted to the City.

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

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

Other Agreements

In addition, NYCEDC remits to the City certain rental amounts collected from the 42nd Street Development Project. The amounts remitted from this source for fiscal year 2019 and 2018 were \$24 million and \$21 million, respectively (Note 14).

4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2019, grant revenue was \$471 million, of which \$433 million comprised reimbursement grants from and through the City, and the remaining \$38 million was provided by other sources. For the year ended June 30, 2018, grant revenue was \$488 million, of which \$449 million comprised reimbursement grants from and through the City, and the remaining \$39 million was provided by other sources.

5. Land Held for Development and Real Estate Obligations Due to the City

NYCEDC may purchase land to help achieve the City's and NYCEDC's redevelopment goals. In both fiscal years 2019 and 2018, the land held for development totaled \$132 million. Several acquisitions were obtained using capital funds from the City and these amounts are reflected as real estate obligations due to the City on the statement of net position. As of June 30, 2019 and 2018, real estate obligations due to the City were \$125 million.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

5. Land Held for Development and Real Estate Obligations Due to the City (continued)

The following table summarizes land held for development and real estate obligations due to the City for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
225 125th Street, B1790, L12	\$ 1,972	\$ 1,972
2309-2313 3rd Avenue, B1790, L3, 49	858	858
236 East 126th Street, B1790 L31	183	183
246 E. 127th Street, B1791, L25	4,300	4,300
Springfield Gardens, Queens, B13432, L57	53	53
Land held for development	<u>\$ 7,366</u>	<u>\$ 7,366</u>
Boardwalk, Coney Island	\$ 105,346	\$ 105,346
1047 Home Street, Bronx, B3006, L21	800	800
1051 Home Street, Bronx, B3006, L19	1,200	1,200
1057 Home Street, Bronx, B3006, L17	500	500
1174 Longfellow Avenue, Bronx, B2758, L14	4,000	4,000
3050 W. 21st Street, Brooklyn, B7071, L123	13,175	13,175
Due to the City: real estate obligations	<u>125,021</u>	<u>125,021</u>
Total land held for development	<u>\$ 132,387</u>	<u>\$ 132,387</u>

6. Other Income

The following table summarizes other income for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Tenant reimbursements	\$ 8,482	\$ 7,908
Developer contributions	2,742	3,115
Interest income from loans	861	662
Loan/bad debt recovery income	2,464	1,645
Development rights	4,264	11,294
Tenant liquidated damages	7,141	900
Other miscellaneous income	7,356	14,508
Total	<u>\$ 33,310</u>	<u>\$ 40,032</u>

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

7. Loans and Mortgage Notes Receivable

NYCEDC has received installment notes from purchasers of certain real property sold by NYCEDC following NYCEDC's purchase of such property from the City. The installment notes are secured by separate purchase money mortgages on the properties sold. At June 30, 2019 and 2018, these mortgage notes totaled \$8.0 million and \$8.2 million, respectively, exclusive of any interest receivable.

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

At June 30, 2019, the loan and mortgage notes portfolio consisted of 14 loans that bear interest at rates ranging from 0% to 9.50% and mature at various dates through October 1, 2046.

Scheduled maturities of principal for these loans for the next five years and thereafter are as follows (dollars in thousands):

Fiscal Year:	Principal Maturity	Interest
2020	\$ 4,801	\$ 409
2021	2,583	274
2022	423	262
2023	872	254
2024	522	248
2025-2029	2,219	1,266
2030-2034	2,194	941
2035-2039	5,679	584
2040-2044	1,881	269
2045-2046	888	25
	22,062	\$ 4,532
Allowance for uncollectible amounts	(930)	
Loans and mortgage notes receivable, net	<u>\$ 21,132</u>	

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

7. Loans and Mortgage Notes Receivable (continued)

The five largest loans in fiscal year 2019 represent approximately 91% of the loan portfolio balance. The composition of the entire portfolio, by industry type, at June 30, 2019, was as follows: real estate development 36%, other services 60% and life science 4%.

8. Due to/From the City of New York

NYCEDC is required to remit certain amounts to the City under the Master Contract (Note 3). The unremitted portion of such amounts at June 30, 2019 and 2018, amounted to \$13 and \$19 million, respectively.

Pursuant to the Master Contract with the City, NYCEDC recorded total grants from and through the City in the amount of \$433 and \$449 million during fiscal years 2019 and 2018, respectively, of which \$192 and \$163 million in capital funds were unpaid by the City as of June 30, 2019 and 2018, respectively. These unpaid amounts are included in the accompanying statements of net position as due from the City.

9. Capital Assets

Changes in capital assets for the years June 30, 2017 to June 30, 2019, consisted of the following (dollars in thousands):

	June 30, 2017	Additions	Disposals	June 30, 2018	Additions/ Depreciation	Disposals	June 30, 2019
Equipment	\$ 9,447	\$ 515	\$ —	\$ 9,962	\$ 5,224	\$ —	\$ 15,186
Leasehold improvements	16,906	9,633	—	26,539	2,408	—	28,947
Vessels	6,000	—	—	6,000	126,308	—	132,308
Computer software	788	—	—	788	—	—	788
Work-in-progress - vessels	—	—	—	—	20,754	—	20,754
Work-in-progress - other	12,701	(2,880)	—	9,821	48,819	—	58,640
Capital assets	45,842	7,268	—	53,110	203,513	—	256,623
Less: Accumulated							
Depreciation/amortization	(11,520)	(3,460)	—	(14,980)	(6,058)	—	(21,038)
Capital assets, net	\$ 34,322	\$ 3,808	\$ —	\$ 38,130	\$ 197,455	\$ —	\$ 235,585

Depreciation and amortization of capital assets and obligations for the fiscal years ended June 30, 2019 and 2018, were \$6.1 and \$3.5 million, respectively.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

10. Deposits and Investments

Deposits

At year-end, NYCEDC's cash and cash equivalents bank balance was \$350.3 million, of which \$13.0 million was FDIC insured. Of the remaining balance, \$136.1 million was invested in money market funds. Emergency funds on hand amounted to \$10,000 at June 30, 2019.

Investments

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations issued by an agency or instrumentality of the United States of America. Other permitted investments include short-term commercial paper, certificates of deposit and bankers' acceptances.

As of June 30, 2019 and 2018, the Corporation had the following investments. Investments maturities are shown for June 30, 2019, only (in thousands):

	Fair Value		Investment Maturities at June 30, 2019, in Years	
	2019	2018	Less Than 1	1 to 7
Money market mutual funds	\$ 130,854	\$ 169,728	\$ 130,854	\$ —
Money market deposit account	5,256	5,251	5,256	—
FHLB notes	31,256	35,257	9,663	21,593
FHLMC notes	11,737	70,499	2,202	9,535
Commercial paper	33,507	47,732	33,507	—
FFCB notes	20,454	14,515	—	20,454
FNMA notes	5,516	24,578	—	5,516
US Treasury	50,741	24,481	50,741	—
Certificates of deposit	200	200	200	—
	289,521	392,241	\$ 232,423	\$ 57,098
Less amount classified as cash equivalents	(136,110)	(174,979)		
Total investments	\$ 153,411	\$ 217,262		

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

10. Deposits and Investments (continued)

Fair Value Measurements – Fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Money market funds, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. US Agencies securities and commercial paper, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

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

Credit Risk – It is the Corporation's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the U.S. government or issued by its agencies. As of June 30, 2019, the Corporation's investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and the Federal Home Loan Mortgage Corporation (FHLMC) were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Commercial papers held were rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investor's Service, Inc.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the Corporation and are held by the counterparty, the counterparty's trust department or agent.

The Corporation manages custodial credit risk by limiting possession of its investments to highly rated institutions and/or requiring that high-quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2019, the Corporation was not subject to custodial credit risk.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

10. Deposits and Investments (continued)

Concentration of Credit Risk – The Corporation places no limit on the amount the Corporation may invest in any United States of America government backed securities. The following table shows investments that represent 5% or more of total investments as of June 30, 2019 and 2018 (dollars in thousands):

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2019		June 30, 2018	
Federal Home Loan Mortgage Corp.	\$ 11,737	7.65%	\$ 70,499	32.45%
Federal Home Loan Bank	31,256	20.37	35,257	16.23
Federal Farm Credit Bank	20,454	13.33	14,515	6.68
Federal National Mort. Assoc.	–	–	24,578	11.31
US Treasury	50,741	33.08	24,481	11.27
Commercial Paper				
Coca-Cola Co.	11,867	7.74	–	–
Prudential PLC	7,844	5.11	–	–

Investment Income

Investment income includes unrealized gains and losses on investments as well as interest earned on bank accounts, certificates of deposit and securities. Investment income amounted to \$9.1 million and \$4.4 million for the fiscal years ended June 30, 2019 and 2018, respectively.

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

NYCEDC is contracted by the City to manage and maintain properties on behalf of the City, including certain City-owned properties that are leased to NYCEDC. NYCEDC in turn, leases or subleases the properties to commercial and industrial tenants. For ground leases, these agreements generally include restrictions on the use of the land to the construction or development of commercial, manufacturing, industrial or residential facilities. All managed leases generally provide for minimum rentals plus provisions for additional rent. Certain agreements also provide for renewals at the end of the initial lease term for periods ranging from 10 to 50 years.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

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

The future minimum rental income as of June 30, 2019, payable by the tenants under the leases and subleases, all of which are accounted for as operating leases, are as follows (dollars in thousands):

Fiscal Year	Minimum Rental Income From BAT Tenants	Minimum Rental Income From Commercial Tenants	Minimum Rental Income From Maritime Tenants	Minimum Rental Income From 42nd St Development Proj. Tenants	Minimum Rental Income From Other Tenants	Total
2020	\$ 19,420	\$ 24,988	\$ 34,996	\$ 15,414	\$ 251	\$ 95,069
2021	17,629	24,090	32,971	15,413	191	90,294
2022	16,680	23,175	31,650	15,413	191	87,109
2023	13,436	22,436	30,737	15,413	190	82,212
2024	10,653	22,323	29,246	15,413	190	77,825
2025-2029	38,164	87,890	119,957	77,069	953	324,033
2030-2034	12,548	83,523	75,248	77,069	953	249,341
2035-2039	4,148	82,672	55,229	77,069	254	219,372
2040-2044	4,148	76,568	35,463	77,069	-	193,248
2045-2049	4,148	75,170	35,463	77,069	-	191,850
Thereafter	3,803	431,164	62,185	622,435	-	1,119,587
Total	\$ 144,777	\$ 953,999	\$ 543,145	\$ 1,084,846	\$ 3,173	\$ 2,729,940

The thereafter category includes 45 leases with expiration dates between July 1, 2049 and December 31, 2100.

12. NYC Ferry System

In 2016, NYCEDC contracted with HNY Ferry, LLC (HNY) for the provision of citywide ferry services under the new NYC Ferry system. The system is made up of six routes that were designed to meet the transportation needs of neighborhoods traditionally underserved by public transportation. The NYC Ferry routes were being launched over a two year period. As part of the six routes, HNY assumed operational responsibility for the existing East River ferry route in December 2016 to incorporate that route into the NYC Ferry system. NYCEDC launched the first of the new NYC Ferry system routes, the Rockaway route, on May 1, 2017. Routes for South Brooklyn and Astoria, Queens were launched in June and August 2017, respectively. In August 2018, the final two planned routes began for Soundview in the Bronx and the Lower East Side of Manhattan.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

12. NYC Ferry System (continued)

The net cost of these operations as of June 30, 2019 and 2018, were \$53 million and \$44 million, respectively. To partially offset the costs to NYCEDC for establishing and operating the ferry system, NYCEDC was not required to remit to the City \$16.7 million under the Maritime Contract or commercial rents received from the 42nd Street Development Project (Notes 3 and 14).

13. Future Tenant Receivables

Pursuant to the ground leases with certain Forest City companies, costs incurred to acquire the properties prior to execution of these leases are to be reimbursed by the developer. The total to be repaid for these properties is \$36.5 million, of which \$21.7 million is for Jay Street (One Metrotech Center), \$5.1 million is for Bridge Street (Two Metrotech Center), \$6.3 million is for Tech Place (11 Metrotech Center) and \$3.4 million is for Myrtle Avenue (Nine Metrotech Center). These receivables will be collected over a period ranging from 8 years to 21 years and will be recognized as revenue over the life of the agreements.

14. 42nd Street Development Project

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

Beginning in January 1, 2011, and in accordance with section 11.05 of the Master Contract, NYCEDC transferred to the City all payments in lieu of taxes, real estate taxes and substantially all rental revenues it collected on the Project. Beginning in fiscal year 2017, to partially offset the costs to NYCEDC for establishing and operating the NYC Ferry service (Note 12), NYCEDC has not been required to remit rental revenues from the Project to the City. NYCEDC will continue to pass through to the City all payments in lieu of taxes and real estate taxes collected from the Project.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

15. Pension Plan

NYCEDC maintains a 401(a) defined contribution pension plan, which covers substantially all full time employees. The pension plan provides for variable contribution rates by NYCEDC ranging from 6% to 18% of the employees' eligible wages, as defined in the IRC. NYCEDC employees receive a non-matching contribution in the amount of 6% of wages at the beginning of the 2nd year of employment. This amount increases to 10% at the beginning of the 4th year of employment; 12% at the beginning of the 5th year of employment; 14% at the beginning of the 6th year of employment; 16% at the beginning of the 11th year of employment; and 18% at the beginning of the 16th year of employment. Employees are 100% vested at the time of contribution. Contributions are made quarterly and are current. The plan is administered at the direction of the NYCEDC Retirement Plan Investment Committee. Pension expense for the fiscal years ended June 30, 2019 and 2018, amounted to \$5.5 million and \$5.1 million, respectively, and is included in personnel services in the accompanying statements of revenues, expenses, and changes in net position.

16. Postemployment Benefits Other Than Pensions

NYCEDC sponsors a single employer defined benefit health care plan that provides postemployment medical benefits for eligible retirees and their spouses. Commonly referred to as a plan for Other Post-Employment Benefits (OPEB), this plan was amended during February 2011 with an effective date of July 1, 2011, and again in July 2016 with an effective date of June 30, 2016. The amendments include revisions to the definition of what constitutes an eligible participant and the closure of the plan to new participants. As a result of these amendments, the plan maintains the current benefit structure, but plan participation will continue for only certain groups of members, who are (i) all retired members, (ii) all active employees hired prior to April 1, 1986, who are ineligible for Medicare coverage when they depart EDC, and (iii) all active employees who started working prior to January 1, 2011, with (a) at least 10 years of service as of that date, or (b) who will be age 60 or older by June 30, 2023 and will have at least 10 years of service by the time they retire.

Benefit provisions and contribution requirements for the plan are administered and managed by NYCEDC and can be amended by NYCEDC. There is no statutory requirement for NYCEDC to continue this plan. The plan is a contributory plan with retirees subject to contributions established for either the Low or High version of the plan. Retirees receiving the post-employment health benefits pay a premium amount equal to what a current NYCEDC active employee pays, based on

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

16. Postemployment Benefits Other Than Pensions (continued)

his or her family status. Under the Low option, retirees make contributions in the amount of \$50 a month for single coverage and \$100 a month for family coverage. Under the High option, retiree contributions are \$100 a month for single coverage and \$200 a month for family coverage. Additional costs may be incurred by the retiree under either the Low or High plan version.

On June 27, 2018, NYCEDC established and funded the New York City Economic Development Corporation OPEB Trust (the Trust), an irrevocable trust for the payments to fund this obligation. All of the plan assets are maintained within the Trust and detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial statements of the Trust, which can be obtained by writing to the New York City Economic Development Corporation, One Liberty Plaza, New York, NY 10006.

As of July 1, 2016, NYCEDC adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement established guidelines for reporting costs associated with "other postemployment benefits" (OPEB). This Statement replaces GASB Statement No. 45. The Corporation's annual OPEB cost for the plan is calculated based on the Entry Age Normal level percentage cost method, an amount actuarially determined in accordance with the parameters of GASB Statements 75.

Employees Covered by Benefit Terms. At June 30, 2019 and 2018, the following employees were covered by the benefit terms:

	2019	2018
Active Employees	66	68
Inactive Employees and/or beneficiaries currently receiving benefit payments	39	38
Total participants	105	106

Beginning fiscal year 2020, benefit premiums will be paid by NYCEDC and reimbursed by the Trust from net position available for plan benefits. For fiscal year 2019 and prior, benefits premiums were paid directly by NYCEDC.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

16. Postemployment Benefits Other Than Pensions (continued)

Contributions. NYCEDC has the right to establish and amend the contribution requirements. For the year ended June 30, 2019 and 2018, the average contribution rate was 0% and 243% respectively, of covered payroll.

Net OPEB Asset/Liability

The Corporation's net OPEB asset/liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the June 30, 2018 valuation were based on information provided by the NYCEDC for the period of July 1, 2017, through June 30, 2018. Update procedures were used to roll forward the total OPEB liability to June 30, 2019.

Actuarial Assumptions. The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified:

Inflation	3.0% per annum, compounded annually
Investment rate of return	2018 - 3.4% per annum, compounded annually 2019 - 4.4% per annum, compounded annually
Salary increases	4.25%
Healthcare costs trend rates	8.4% grading down to an ultimate rate of 4.7% for <65, 7.5% grading down to an ultimate rate of 4.7% for <65

Mortality rates were based on "Health care costs – from birth to death" sponsored by the society of actuaries and prepared by Dale H. Yamamoto (May 2013). The mortality improvement scale was updated to the MP-2018 scale.

Rate of return: As required by GASB Statement 74, the annual money weighted rate of return on trust investments, net of investment expenses was 6% and 0% for the years ended June 30, 2019 and 2018 respectively. The calculation is based on monthly income and average monthly investment balances. The money-weighted rate of return on investments net of investment expense, was 0% in 2018 because the contribution was made, in cash, on June 27, 2018.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

16. Postemployment Benefits Other Than Pensions (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The goals of the OPEB plan's investment policy are to invest for the sole purpose of funding the OPEB plan obligation in a prudent manner and to conserve and enhance the value of the trust assets through appreciation and income generation, while maintaining a moderate investment risk.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation for each major asset class is summarized in the following table for 2019 and 2018:

<u>Asset Class</u>	<u>Allocation</u>
US Large Cap	8%
Non-US Equity	4%
Absolute Return	8%
Long Term Bond	40%
Aggregate Bond	40%
	<u>100%</u>

Discount Rate. The discount rate used to measure the total OPEB liability was 4.19% and 3.20% at June 30, 2019 and June 30, 2018, respectively and based on the S&P Municipal Bond 20 Year High Grade Rate Index of 2.79%. The projection of cash flows used to determine the discount rate assumed that Corporation's contributions will be made at rates equal to the actuarially determined contribution rates. The plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2049.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

16. Postemployment Benefits Other Than Pensions (continued)

Changes in Net OPEB Asset/Liability

For the year ended June 30, 2019, in (dollars in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balances at beginning of the year	\$ 21,563	\$ 20,000	\$ 1,563
Changes for the year:			
Service cost	531	—	531
Interest	704	—	704
Difference between expected and actual experience	(206)	—	(206)
Changes of assumptions	(3,180)	—	(3,180)
Employer Contributions	—	—	—
Net investment income	—	1,195	(1,195)
Benefit payments	(201)	—	(201)
Administrative expense	—	—	—
Net changes	(2,352)	1,195	(3,547)
Balances at end of the year	<u>\$ 19,211</u>	<u>\$ 21,195</u>	<u>\$ (1,984)</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB asset/(liability) of the Corporation, as well as what the Corporation's net OPEB asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.19 percent) or 1-percentage-point higher (5.19 percent) than the current discount rate:

	1% Decrease	Discount Rate (4.19%)	1% Increase
Net OPEB (asset)/liability, June 30, 2019	\$ 1,120	\$ (1,984)	\$ (4,538)

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

16. Postemployment Benefits Other Than Pensions (continued)

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend rates. The following presents the net OPEB liability of the Corporation, as well as what the Corporation's net OPEB liability would be if it were calculating using healthcare cost trend rates that are 1 percentage point lower or 1 percent point higher (dollars in thousands):

	1% Decrease	Healthcare Cost Trend Rates (8.4% decreasing to 4.5%)	1% Increase
Net OPEB (asset)/liability, June 30, 2019	\$ (5,319)	\$ (1,984)	\$ 2,676

**OPEB Expense and Deferred Outflows of Recourses and Deferred Inflows of Resources
Related to OPEB**

For the year's ended June 30, 2019 and 2018, NYCEDC recognized an OPEB gain of \$0.3 million and OPEB expense of \$1.2 million, respectively. OPEB income/expense is reported in the NYCEDC's financial statements as part of personnel services expense. At June 30, 2019, NYCEDC reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows	Deferred Outflows
Net difference between projected and actual earnings on OPEB plan Investments	\$ 3,209	\$ —

Amounts reported will be recognized in OPEB expense as follows (dollars in thousands):

Year ended June 30:	
2020	\$ 699
2021	699
2022	699
2023	686
2024	426
2025	—
	<u>\$ 3,209</u>

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

17. Blended Component Units

CLIC Captive Insurance

In 2016, NYCEDC established the City Lights Insurance Company (CLIC) as a single parent captive insurance company wholly-owned by NYCEDC. CLIC was incorporated on May 26, 2016, and is domiciled in the State of New York. It commenced business operations on July 1, 2016.

At June 30, 2019, CLIC had no investments and maintained a cash balance of approximately \$2.4 million with JP Morgan Chase.

CLIC continues to provide coverage for two lines of insurance, cyber insurance and additional terrorism insurance. Effective July 1, 2016, CLIC began directly providing excess cyber coverage to NYCEDC and its affiliates, with limits of \$9 million per loss and in the aggregate, in excess of \$1 million of underlying insurance and self-insured retentions.

CLIC also began directly providing terrorism insurance for acts of Nuclear, Biological, Chemical or Radiological terrorism, with limits of \$6 million per occurrence and in the aggregate for any certified act of terrorism.

This policy covers certified terrorism losses as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and subsequent extensions. Under the TRIA coverage, the United States Government provides a backstop on a quota share basis for 83% (decreasing by 1% per calendar year until equal to 80%) if the total loss affecting all involved insurers exceeds \$100 million.

Statements of Net Position

The following table summarizes CLIC's financial position at June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Total assets	\$ 2,393	\$ 1,087
Total liabilities	19	6
Total net position	<u>\$ 2,374</u>	<u>\$ 1,081</u>

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

17. Blended Component Units (continued)

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes CLIC's change in net position for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Operating revenues	\$ 379	\$ 128
Operating expenses	87	75
Operating income	292	53
Change in net position	292	53
Total net position, beginning of year	1,081	1,028
Total net position, end of year	\$ 1,373	\$ 1,081

City of New York Early Stage Life Sciences Fund LLC

The City of New York Early Stage Life Sciences Fund LLC (ESLSF) was formed in December of 2013, as a result of an initiative designed to champion New York City's early-stage life sciences ecosystem. It is designed to support the development of new technologies and products for patients and researchers, including therapeutics, medical devices, diagnostics, research and development instrumentation, and digital life sciences technologies.

Statements of Net Position

The following table summarizes ESLSF's financial position at June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Total assets	\$ 3,574	\$ 3,604
Total liabilities	56	—
Total net position	\$ 3,518	\$ 3,604

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

17. Blended Component Units (continued)

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes ESLSF's change in net position for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Operating revenues	\$ 126	\$ 159
Operating expenses	225	333
Operating income (loss)	(99)	(174)
Non-operating income (loss)	13	2,403
Change in net position	(86)	2,229
Total net position, beginning of year	3,604	1,375
Total net position, end of year	<u>\$ 3,518</u>	<u>\$ 3,604</u>

New York City Entrepreneurial Fund LLC

The New York City Entrepreneurial Fund (NYCEF) LLC was formed in February of 2010 to facilitate the expansion of the City's entrepreneurial sector by incentivizing new private sector seed and early stage financing for companies based in the City.

Statements of Net Position

The following table summarizes NYCEF's financial position at June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Total assets	\$ 808	\$ 808
Total liabilities	—	—
Total net position	<u>\$ 808</u>	<u>\$ 808</u>

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

17. Blended Component Units (continued)

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes NYCEF's change in net position for the fiscal years ended June 30, 2019 and 2018 (dollars in thousands):

	2019	2018
Operating revenues	\$ —	\$ —
Operating expenses	—	—
Operating income	—	—
Change in net position	—	—
Total net position, beginning of year	808	808
Total net position, end of year	<u>\$ 808</u>	<u>\$ 808</u>

NYC Ferry Fleet, LLC

The NYC Ferry Fleet, LLC (NYCFF) was formed in October of 2018 to take title of purchased ferry vessels operating in the NYC Ferry system. Depreciation expense of titled vessels are reflected as operating costs of NYCFF.

Statements of Net Position

The following table summarizes NYCFF's financial position at June 30, 2019 (dollars in thousands):

	2019
Total assets	\$ 125,437
Total liabilities	—
Total net position	<u>\$ 125,437</u>

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

17. Blended Component Units (continued)

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes NYCFF's change in net position for the fiscal year ended June 30, 2019 (dollars in thousands):

	<u>2019</u>
Operating revenues	\$ —
Operating expenses	<u>871</u>
Operating income	(871)
Capital contribution	<u>126,308</u>
Change in net position	125,437
Total net position, beginning of year	<u>—</u>
Total net position, end of year	<u><u>\$ 125,437</u></u>

18. Other Related-Party Transactions

New York City Land Development Corporation (LDC)

On May 8, 2012, the City formed LDC as a local development corporation organized under section 1411 of the NPCL. LDC is engaged in economic development activities by means of assisting the City with the leasing and selling of certain properties. No fees were established between NYCEDC and LDC in the current fiscal year. Instead, NYCEDC provides LDC with operating grant funding for LDC's general and administrative expenses. For the periods ended June 30, 2019 and 2018, \$1,593 and \$1,517, respectively, was provided to LDC for such expenses.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

18. Other Related-Party Transactions (continued)

New York City Industrial Development Agency (IDA)

NYCEDC is responsible for administering the economic development programs of IDA. For fiscal years ended June 30, 2019 and 2018, NYCEDC earned management fee income from IDA of \$4.4 million and \$3.3 million, respectively. In fiscal year 2019, a contingency fee of \$41,184 was earned by NYCEDC from IDA's recapture of benefits from one project company. Such amounts are included in fee income in NYCEDC's accompanying statements of revenues, expenses and changes in net position. At June 30, 2019 and 2018, the amounts due from IDA totaled \$499,725 and \$1.3 million, respectively.

Build NYC Resource Corporation (Build NYC)

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an annual agreement between NYCEDC and Build NYC, NYCEDC provides management services to Build NYC and administers Build NYC's financial books and records. For fiscal years ended June 30, 2019 and 2018, NYCEDC earned management fee income from Build NYC of \$2.2 million and \$3.3 million, respectively.

The Trust for Cultural Resources of New York City (TCR)

Pursuant to an annual agreement between NYCEDC and TCR, NYCEDC collects fees from TCR for management services. For the fiscal year ended June 30, 2019 and 2018, NYCEDC earned management fees of \$307,813 and \$312,188, respectively from TCR.

New York City Neighborhood Capital Corporation (NCC)

NCC is not-for-profit corporation organized under the NPCL. NCC has all power and authority to make qualified low-income community investments in the City of New York, and to allocate federal tax credits for this purpose. NYCEDC provided full management services to NCC and no fees were charged for these services for the year ended June 30, 2019.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

19. Accounting for Derivatives and Fuel Hedging Activity

As described in Note 12, NYCEDC, on behalf on the City, contracted in June 2016 with HNY for the provision of citywide ferry services for the new NYC Ferry system. NYCEDC was initially responsible for the cost of up to 3.3 million gallons of ultra-low sulfur diesel fuel per annum under the six year operating agreement with HNY. Due to the unexpected increase in demand for ferry services, NYCEDC is in the process of increasing the number of vessels in service, and the related annual fuel cap. Beginning in fiscal year 2020, the annual cap will increase to 6.0 million gallons. The cap will increase gradually to reach 8.0 million gallons by fiscal year 2023. Although the contract caps the number of gallons that NYCEDC is responsible for, the price per gallon is subject to market conditions. Consequently, NYCEDC was authorized by its Board of Directors to implement an energy price risk management program to manage NYCEDC's exposure to the cost of fuel for NYC Ferry.

NYCEDC enters into all fuel hedging arrangements for the sole purpose of hedging against cash flow fluctuations and increasing budgetary certainty. NYCEDC is represented in these transactions by an advisor and designated evaluation agent also known as a Qualified Independent Representative (QIR).

The following risks are generally associated with hedging instruments:

Basis risk: a systemic risk that arises from variations between hedge relative price and cash/spot price of the hedged commodity at any given point of time. However, NYCEDC uses the NY harbor low-sulfur diesel futures pricing index as the reference for both the hedging instruments and the delivery contracts so there is a high correlation between the prices paid for the commodity and the futures contracts pricing.

Cash flow risk: the risk of experiencing outflow of cash to meet margin calls for future contracts due to falling prices for future contracts. This risk is naturally mitigated by the opposite movement of the actual prices paid as compared to the futures contract prices.

Counterparty Risk: the risk that the counterparty will not fulfill its obligations under the option contracts. To minimize such exposure, NYCEDC diversifies and executes transactions with multiple counterparties.

Termination Risk: the risk that the underlying hedge transactions will not run to maturity due to a counterparty event. To minimize this risk, NYCEDC will not purchase contracts where the counterparty has an option to terminate while NYCEDC is performing.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

19. Accounting for Derivatives and Fuel Hedging Activity (continued)

Beginning in September 2017, NYCEDC executed International Swaps and Derivatives Association ("ISDA") master agreements with Chase Bank, N.A. (JPMorgan) and Citibank, N.A. (Citibank) paving the way to use swap and call option contracts for fuel hedging purposes. Subsequently, NYCEDC purchased call option contracts from JPMorgan, with a notional volume of 2.8 million gallons to hedge against the fuel cap for calendar year 2018 and a call option contract from Citibank, with a notional volume of 1.6 million gallons, covering the first half of calendar year 2019. These call options expired as of June 30, 2019.

Additionally, NYCEDC continued to use futures contracts as a hedging vehicle. On June 30, 2019, NYCEDC maintained a position of 304 futures contracts for ultra-low sulfur diesel and crude oil. These contracts cover a percentage of the fuel commitment for the next three years of the HNY operating contract period.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

19. Accounting for Derivatives and Fuel Hedging Activity (continued)

As of June 30, 2019, the fair values of NYCEDC's commodity futures contracts, based on average daily rates are listed below. These contracts fall within the Level 2 category investments of the fair value hierarchy.

Crude Oil	Notional Amount- Barrels Barrel=42 gallons	Number of Contracts 1,000 barrels/contract	Maturity Date	Fair Value 6/30/19	Average Price \$/Barrel
	840,000	20	Jun-22	\$ (19,800)	\$ 54.55
	882,000	21	Dec-22	(12,500)	54.20
	882,000	21	Jun-23	(6,080)	53.91

Diesel Fuel	Notional Amount- Gallons	Number of Contracts	Maturity Date	Fair Value 6/30/19	Average Price \$/Gallon
	84,000	2	Aug-19	\$ 11,835	\$ 1.80
	420,000	10	Sep-19	(53,739)	2.08
	378,000	9	Oct-19	(66,834)	2.13
	336,000	8	Nov-19	(47,506)	2.10
	294,000	7	Dec-19	(75,999)	2.22
	294,000	7	Jan-20	(78,750)	2.23
	294,000	7	Feb-20	(79,648)	2.23
	252,000	6	Mar-20	(71,736)	2.23
	294,000	7	Apr-20	(78,472)	2.20
	336,000	8	May-20	(78,750)	2.16
	420,000	10	Jun-20	(75,911)	2.10
	420,000	10	Jul-20	(76,184)	2.10
	420,000	10	Aug-20	(56,843)	2.05
	420,000	10	Sep-20	(65,264)	2.08
	420,000	10	Oct-20	(53,357)	2.05
	420,000	10	Nov-20	(61,454)	2.07
	378,000	9	Dec-20	(51,147)	2.06
	378,000	9	Jan-21	(57,263)	2.08
	378,000	9	Feb-21	(51,316)	2.06
	336,000	8	Mar-21	(48,741)	2.06
	378,000	9	Apr-21	(51,106)	2.03
	420,000	10	May-21	(63,143)	2.04
	420,000	10	Jun-21	(53,676)	2.01
	420,000	10	Jul-21	(64,126)	2.04
	462,000	11	Aug-21	(31,219)	1.95
	462,000	11	Sep-21	(22,970)	1.93
	252,000	6	Oct-21	(17,745)	1.96
	126,000	3	Nov-21	(15,128)	2.01
	126,000	3	Dec-21	(8,110)	1.95
	126,000	3	Jan-22	(8,782)	1.96
Total Fair Value				\$ (1,591,464)	

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

20. Commitments and Contingencies

NYCEDC has an aggregate contractual commitment of \$109.7 million under different self-funded economic development initiatives and projects, including but not limited to the NYC Ferry system and the City of New York Early-Stage Life Sciences project.

Additionally, NYCEDC rents office space under a current lease agreement expiring in early fiscal year 2020. A new lease agreement was entered into effective March 2018 with an expiration date of May 31, 2039, for the new headquarters. The future minimum rental commitments as of June 30, 2019, required under the current and new operating leases are as follows (dollars in thousands):

Fiscal year:	
2020	\$ 13,456
2021	13,456
2022	13,456
2023	13,456
2024	13,456
2025 to 2029	67,278
2030 to 2034	67,278
2035 and thereafter	66,157
	<u>\$ 267,993</u>

Accordingly, rent expense for office space amounted to \$19 million and \$13 million for fiscal years ended June 30, 2019 and 2018, respectively.

The Corporation's loan and loan guarantee finance program is designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for the City. As of June 30, 2019, the Corporation's aggregate commitment for these programs is \$24.6 million.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

20. Commitments and Contingencies (continued)

NYCEDC was the co-trustee along with 42nd Street Development Corporation (a subsidiary of New York State Urban Development Corporation d/b/a Empire State Development Corporation (ESDC)) for the use of certain development funds under the 42nd Street Development Project. The trustees jointly extended a loan to the New Amsterdam Development Corporation (NADC) for renovation of the New Amsterdam Theatre. The principal loan amount of \$25.6 million was equally disbursed by the trustees and matures on January 31, 2027. Interest on the loan has ranged between 3% and 3.5%. NYCEDC's portion of the loan, \$12.8 million, was reimbursed to NYCEDC by the City. The conduit loan payment constitutes both a receivable from NADC and a payable to the City. This transaction is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

NYCEDC is party to a funding agreement among ESDC, the City and the Trustees of Columbia University (Columbia). The agreement was signed on November 20, 1992, as part of the Audubon building lease assignment for the benefit of Columbia. At inception Columbia received \$10 million from the City, through NYCEDC, and \$8 million directly from ESDC to pay for eligible site development costs. Under the lease agreement, Columbia is required to repay the \$18 million no later than April 5, 2020. NYCEDC's responsibilities in this transaction are limited to redistributing the repayment to the City and ESDC upon collection from Columbia. This is a conduit loan payment from Columbia to the City and ESDC. This transaction is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

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

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

21. Risk Management

Given the diverse nature of projects, initiatives and assets managed by NYCEDC and its concentrated operational geography, the corporation is exposed to a variety exposures and their potential risks. Based on NYCEDC's operations, the corporation's risk can largely be categorized as: theft of, damage to, and destruction of real assets; various types of injury or harm to employees and 3rd parties; tort law and; reputational. In response, NYCEDC diligently works to identify, understand and where possible, quantify these risks associated with current and potential operations, to ensure the appropriate action is implemented to properly address them. NYCEDC utilizes several methods to mitigate these risks, including but not limited to, loss prevention/risk engineering, contractual risk transfer and the utilization of financial and commercial insurance products.

22. Net Position

In order to present the financial condition and operating results of NYCEDC in a manner consistent with the limitations and restrictions placed upon the use of resources, NYCEDC classifies its net position into three categories: restricted net position, unrestricted net position and net investment in capital assets. The restricted net position includes net position that has been restricted in use in accordance with the terms of an award or agreement (other than the net position generally available for City program activities under the Master Contract and the Maritime Contract) or by law.

Net investment in capital assets includes capital assets net of accumulated depreciation used in NYCEDC's operations. The unrestricted net position includes all net position not included above.

The Master Contract and the Maritime Contract limit the use of all unrestricted net position to City program activities except for unrestricted net position resulting from income self-generated by NYCEDC.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Financial Statements (continued)

22. Net Position (continued)

Changes in Net Position

The changes in net position during fiscal years 2019 and 2018 are as follows (in thousands):

	Restricted	Unrestricted	Net Investment in Capital Assets	Total
Net position, June 30, 2017	\$ 107,506	\$ 292,021	\$ 34,322	\$ 433,849
Increase (decrease) in net position	(4,963)	19,363	—	14,400
Capital assets additions	—	(7,268)	7,268	—
Retirements/depreciation	—	3,460	(3,460)	—
Net position, June 30, 2018	102,543	307,576	38,130	448,249
Increase in net position	104,090	9,413	—	113,503
Capital assets additions	(146,058)	(57,455)	203,513	—
Retirements/depreciation	2,442	3,616	(6,058)	—
Net position, June 30, 2019	\$ 63,017	\$ 263,150	\$ 235,585	\$ 561,752

Required Supplementary Information

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Schedule of Changes in Net OPEB Liability (in thousands)

	2019	2018
Total OPEB liability:		
Service cost	\$ 531	\$ 561
Interest	704	666
Difference between expected and actual experience	(206)	(103)
Changes of assumptions	(3,180)	(147)
Benefit payments	(201)	(225)
Net change in total OPEB liability	(2,352)	752
Total OPEB liability – beginning	21,563	20,811
Total OPEB liability – ending (a)	<u>\$ 19,211</u>	<u>\$ 21,563</u>
Total fiduciary net position:		
Contributions – employer	\$ –	\$ 20,000
Net investment income	1,195	–
Benefits payments	–	–
Administrative expenses	–	–
Net change in fiduciary net position	1,195	20,000
Trust fiduciary net position – beginning	20,000	–
Trust fiduciary net position – ending (b)	<u>\$ 21,195</u>	<u>\$ 20,000</u>
Corporation’s net OPEB (asset)/liability – end of year (a-b)	<u>\$ (1,984)</u>	<u>\$ 1,563</u>
Trust fiduciary net position as a percentage of the total OPEB liability	<u>110.33%</u>	<u>92.75%</u>

Notes to Schedule:

Changes of assumptions:

Discount rate was changed from 3.2% at June 30, 2018 to 4.19% at June 30, 2019.

Rate of return was changed from 3.4% at June 30, 2018 to 4.40% at June 30, 2019

The mortality improvement scale was updated to use MP-2018 at June 30, 2019 from the MP-2017 scale at June 30, 2018.

This schedule is intended to present information for 10 years. Additional years will be presented when available.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Schedule of OPEB Contributions (in thousands)

	2019	2018
Actuarially determined contribution	– \$	–
Contributions in relation to the actuarially determined contribution	–	20,000
Contribution deficiency (excess)	– \$	(20,000)
Covered-employee payroll	8,018	8,231
Contributions as a percentage of covered-employee payroll	0%	242.98%

Valuation dates:	June 30, 2018. Results were rolled forward to June 30, 2019.
Actuarial cost method:	Entry age normal, level percent of pay. Service costs are attributed through all assumed ages of exit from active service.
Amortization method:	N/A
Asset valuation method:	Fair value.
Inflation:	3.0% per annum, compounded annually
Salary increases:	4.25% per annum
Investment rate of return:	4.40% for 2019, 3.40% for 2018
Health care trend rates:	8.4% grading down to an ultimate rate of 4.7% for <65, 7.5% grading down to an ultimate rate of 4.7% for <65
Mortality:	Based on the RP-2014 White Collar Employee and Healthy Annuitant Mortality tables with application of the MP-2018 improvement scale on a fully generational basis.
Benefit changes:	None

This schedule is intended to present information for 10 years. Additional years will be presented when available.

Supplementary Information

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Combining Schedule of Revenues, Expenses, and Changes in Net Position (In Thousands)

	Total Unrestricted	Maritime Fund	NYC Ferry	NYC Ferry	Adjustment	Total Maritime & NYC Ferry	NYC Ferry Fleet, LLC	Broadway Army	Other Properties	Restricted Finance Programs	Capital Programs	Public Purpose & Other Fund	Apple 42nd Street	Total Restricted	June 30 2018
Operating revenues:															
Gross	\$ 95,259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371,806	\$ 4,741	\$ -	\$ 376,547	\$ 488,174
Property rentals	68,246	83,896	-	-	-	83,896	-	24,312	4,178	-	-	-	40,649	162,245	214,523
Real estate sales, net	9,252	-	-	-	-	-	-	-	-	-	-	-	-	-	9,252
Fee income	12,116	-	-	-	-	-	-	42	10	-	-	23	83	217	12,333
Other income	14,649	8,739	16,646	(16,646)	-	8,739	-	4,302	53	556	-	2,797	611	17,269	33,310
Other income - 42nd Street	23,564	-	-	-	-	-	-	-	-	-	-	-	(23,564)	(23,564)	-
Total Operating revenues	221,487	92,694	16,646	(16,646)	-	92,694	-	29,056	4,243	556	371,806	7,561	26,779	532,695	761,171
Operating expenses:															
Project costs	106,829	-	-	-	-	-	-	-	-	-	-	-	-	-	106,829
Program costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property rentals and related operating expenses	14,579	71,583	-	-	-	71,583	-	13,110	5,338	-	914	-	2,743	92,776	391,935
Ferry related expenses	-	-	69,596	(16,646)	-	52,950	-	-	-	-	-	-	-	52,950	87,566
Personal Services	58,157	6,875	-	-	-	6,875	-	1,481	-	172	-	188	-	8,716	64,342
Contract and other expenses to the City	34,987	-	-	-	-	-	-	-	31	-	-	-	24,039	24,870	64,342
Office rent	18,912	-	-	-	-	-	-	-	-	-	-	-	-	-	18,912
Other general expenses	17,316	1,797	-	-	-	1,797	-	1,010	-	200	919	13	-	4,818	22,357
Total operating expenses	352,309	80,255	69,596	(16,646)	-	133,205	871	15,601	5,377	1,286	372,725	6,252	26,784	562,181	814,481
Operating income	(130,822)	12,439	(52,950)	-	-	(40,511)	(871)	13,455	(1,134)	(730)	(919)	1,309	(5)	(29,486)	(9,999)
Nonoperating revenues (expenses):															
Income (Loss) from investments	7,658	286	-	-	-	286	-	-	24	901	-	-	-	1,999	9,857
Non-operating income/(expense)	84	-	-	-	-	-	-	-	-	-	-	-	-	-	84
Total nonoperating revenues (expenses):	7,742	286	-	-	-	286	-	-	24	901	-	-	-	1,999	9,941
Income before transfers	(123,080)	12,725	(52,950)	-	-	(40,225)	(871)	13,455	(1,110)	171	(919)	2,092	-	(27,487)	(14,400)
Interfund transfers	(9,211)	(12,725)	18,715	-	-	5,990	-	3,221	-	-	-	-	-	9,211	-
Change in net position before capital contributions	(32,992)	-	(34,235)	-	-	(34,235)	(871)	16,676	(1,110)	171	(919)	2,092	-	(18,196)	(14,400)
Capital contribution	14,192	-	-	-	-	-	126,308	-	-	-	24,151	-	-	150,459	164,651
Change in net position	(18,799)	-	(34,235)	-	-	(34,235)	125,437	16,676	(1,110)	171	23,232	2,092	-	132,263	113,503
Total net position, beginning of year	345,796	7,000	5,008	-	-	12,008	-	500	3,328	54,664	3,512	28,331	-	162,543	448,249
Sub-total	326,997	7,000	(29,227)	-	-	(22,227)	125,437	17,176	2,218	54,835	26,744	30,623	-	234,896	561,752
Less: Net invested in capital assets	63,796	3,018	3,326	-	-	6,344	125,437	16,676	-	-	23,232	-	-	171,789	235,585
Total net position, end of year	\$ 263,199	\$ 3,982	\$ (32,553)	\$ -	\$ -	\$ (28,571)	\$ -	\$ 500	\$ 2,218	\$ 54,835	\$ 3,512	\$ 30,623	\$ -	\$ 63,107	\$ 326,167

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

II. Government Auditing Standards Section

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 and therefore, material weaknesses or significant deficiencies may exist, that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of 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.

_____, 2018

Exhibit C

**ANNUAL INVESTMENT REPORT
Board of Directors Meeting
September 27, 2019**

WHEREAS, pursuant to the requirements of the Public Authorities Accountability Act of 2005, as amended, the Board of Directors of NYCEDC adopted investment policies, procedures and guidelines (the "investment guidelines"); and

WHEREAS, the adopted investment guidelines require the Board to approve an Annual Investment Report containing specified information and to submit the report to the City's Mayor and Comptroller and the New York State Department of Audit and Control; and

WHEREAS, attached hereto is the Annual Investment Report for NYCEDC for the fiscal year ended June 30, 2019; and

WHEREAS, there are certain blank dates in the reports of the auditors included in the attached Schedule of Investments, which dates will be filled in after the Board approves the Annual Investment Report;

NOW, THEREFORE, RESOLVED that the Board approves the Annual Investment Report attached hereto, with the understanding that the blank dates in the reports of the auditors will be filled in after the Board approves the Annual Investment Report and that the Annual Investment Report will be submitted to the required officials with the dates filled in.

Staff: Spencer Hobson, Executive Vice President and Treasurer
Fred D'Ascoli, Senior Vice President and Assistant Treasurer
Amy Chan, Vice President and Assistant Treasurer

**NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
ANNUAL INVESTMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

Investment Guidelines and Amendments

Attached hereto as Schedule 1 is the current investment policies, procedures and guidelines (the "Investment Guidelines") of New York City Economic Development Corporation ("NYCEDC"). In the fiscal year ended June 30, 2019, the Board did not approve any changes to the Investment Guidelines previously adopted.

Summary of Investment Guidelines

The portfolio is managed to accomplish the following objectives:

- A. Preservation of Principal – The single most important objective of NYCEDC's investment program is the preservation of principal of funds within the portfolio.
- B. Maintenance of Liquidity – The portfolio shall be managed in such a manner that assures that funds are available as needed to meet immediate and/or future operating requirements of NYCEDC.
- C. Maximize Return – The portfolio shall be managed in such a fashion as to maximize income through the purchase of authorized investments, taking into account the other investment objectives.

The portfolio is structured to diversify investments to reduce risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The types of investments permitted are based on those permitted for the investment of City funds.

Independent Audit Report

Attached hereto as Schedule 2 is the annual audit report on investments for the fiscal year ended June 30, 2019 by Ernst & Young LLP.

Investment Income Record

Investment income from interest earned on bank accounts, certificates of deposit and securities was approximately \$9.1 million for the fiscal year ended June 30, 2019.

Fees, Commissions and Other Charges

NYCEDC did not pay any fees, commissions or other charges to an investment banker, broker, agent, dealer or advisor during the fiscal year.

SCHEDULE 1

NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION INVESTMENT GUIDELINES

I. Purpose

The purpose of this document is to establish policies, procedures and guidelines regarding the investing, monitoring and reporting of funds of the Corporation.

II. Scope of the Investment Policy

This policy applies to the funds of the Corporation, which for purposes of these guidelines consist of all moneys and other financial resources available for investment by the Corporation on its own behalf or on behalf of any other entity or individual.

III. Investment Objectives

The portfolio shall be managed to accomplish the following objectives:

- A. **Preservation of Principal** – The single most important objective of the Corporation's investment program is the preservation of principal of funds within the portfolio.
- B. **Maintenance of Liquidity** – The portfolio shall be managed in such a manner that assures that funds are available as needed to meet immediate and/or future operating requirements of the Corporation.
- C. **Maximize Return** – The portfolio shall be managed in such a fashion as to maximize income through the purchase of authorized investments as stated below, taking into account the other investment objectives.

IV. Implementation of Guidelines

The Chief Financial Officer shall be responsible for the prudent investment of funds and for the implementation of the investment program and the establishment of investment procedures and a system of controls to regulate the activities of subordinate staff, consistent with these guidelines.

V. Authorized Investments

- A. The Treasurer or an Assistant Treasurer of the Corporation is authorized to invest funds of the Corporation as summarized and restricted below:
 - 1. **U.S. Treasury Obligations.** United States Treasury bills and notes, and any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.

2. Federal Agency Obligations. Bonds, notes, debentures, or other obligations or securities issued by any agency or instrumentality of the United States.
 3. Repurchase Agreements. The repurchase agreements must be collateralized by U.S. Government guaranteed securities, U.S. Government agency securities, or commercial paper (of a type defined below) in a range of 100% to 102% of the matured value of the repurchase agreements and have a term to maturity of no greater than ninety (90) days. They must be physically delivered for retention to the Corporation or its agent (which shall not be an agent of the party with whom the Corporation enters into such repurchase agreement), unless such obligations are issued in book-entry form, in which case the Corporation shall take such other action as may be necessary to obtain title to or a perfected security interest in such obligations.
 4. Commercial Paper. Commercial paper rated A1 or P1 by Standard & Poor's Corporation or Moody's Investor's Service, Inc. or Fitch.
 5. Bankers' Acceptances and Time Deposits of banks with worldwide assets in excess of \$50 million that are rated with the highest categories of the leading bank rating services and regional banks also rated within the highest categories.
 6. Certificates of Deposit with New York banks, including minority-owned banks. All such certificates of deposit in these banks must be Federal Deposit Insurance Corporation ("FDIC") insured, except when otherwise collateralized.
 7. Other investments approved by the Comptroller of New York City for the investment of City funds.
- B. In addition to the above investments, the Corporation may deposit funds in the following ("Deposit Accounts"), with respect to funds needed for operational expenses and funds awaiting investment or disbursement:
1. High quality no-load money market mutual funds that restrict their investments to short term, highly rated money market instruments.
 2. Other interest bearing accounts, if permitted by applicable laws, rules and regulations, with New York City financial institutions designated by the New York City Banking Commission or such other financial institutions approved by the Deputy Mayor for Economic Development or his successor in function.

VI. Written Contracts

The Corporation shall enter into written contracts pursuant to which investments are made which conform with the requirements of these guidelines and Section 2925.3(c) of the Public Authorities Law unless the Board or Executive Committee determines by resolution that a written contract containing such provisions is not practical or that there is not a regular business practice of written contracts containing such provisions with respect to a specific investment or transaction, in which case the Board or Executive Committee shall adopt procedures covering such investment or transaction.

VII. Diversification

The portfolio shall be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The maximum percentage of the total portfolio permitted in the indicated type of eligible security is as follows:

A.	U.S. Treasury	100% maximum
B.	Federal Agency	100% maximum
C.	Repurchase Agreements	5% maximum
D.	Commercial Paper	25% maximum
E.	Bankers Acceptances and Time Deposits	25% maximum
F.	Certificates of Deposit	20% maximum
G.	Other Investments Approved by Comptroller for City Funds	A percentage deemed prudent by CFO

VIII. Maximum Maturity

Maintenance of adequate liquidity to meet the cash flow needs of the Corporation is essential. Accordingly, the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with cash requirements in order to avoid the forced sale of securities prior to maturity.

For purposes of this investment policy, assets of the portfolio shall be segregated into two categories based on expected liquidity needs and purposes – Cash equivalents and Investments. Assets categorized as Cash equivalents will be invested in permitted investments maturing in ninety (90) days or less or deposited in Deposit Accounts. Generally, assets categorized as Investments will be invested in permitted investments with a stated maturity of no more than two (2) years from the date of purchase. However, up to twenty percent (20%) of assets categorized as Investments may be invested in permitted investments with a stated maturity of no more than seven (7) years from the date of purchase.

IX. Monitoring and Adjusting the Portfolio

Those responsible for the day-to-day management of the portfolio will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and will adjust the portfolio as necessary to meet the investment objectives listed above. It is recognized and understood that the non-speculative active management of portfolio holdings may cause a loss on the sale of an owned investment.

X. Internal Controls

The Treasurer or an Assistant Treasurer, under the direction of the Chief Financial Officer, shall establish and be responsible for monitoring a system of internal controls governing the administration and management of the portfolio. Such controls shall be designed to prevent and control losses of the portfolio funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by any personnel.

XI. Eligible Brokers, Agents, Dealers, Investment Advisors, Investment Bankers and Custodians

The following are the standards for the qualifications of brokers, agents, dealers, investment advisors, investment bankers and custodians:

A. Brokers, Agents, Dealers

1. In Government Securities: any bank or trust company organized or licensed under the laws of any state of the United States of America or of the United States of America or any national banking association or any registered broker/dealer or government securities dealer.
2. In Municipal Securities: any broker, dealer or municipal securities dealer registered with the Securities and Exchange Commission (the "SEC").

B. Investment Advisors: any bank or trust company organized under the laws of any state of the United States of America or any national banking association,

and any firm or person which is registered with the SEC under the Investment Advisors Act of 1940.

- C. Investment Bankers: firms retained by the Corporation to serve as senior managing underwriters for negotiated sales must be registered with the SEC.
- D. Custodians: any bank or trust company organized under the laws of any state of the United States of America or any national banking association with capital and surplus of not less than \$50,000,000.

XII. Reporting

A. Quarterly

The Treasurer or an Assistant Treasurer, under the direction of the Chief Financial Officer, shall prepare and deliver to the Board of Directors once for each quarter of the Corporation's fiscal year a report setting forth a summary of new investments made during that quarter, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers, investment advisors and auditors.

B. Annually

- 1. Audit – the Corporation's independent accountants shall conduct an annual audit of the Corporation's investments for each fiscal year of the Corporation, the results of which shall be made available to the Board of Directors at the time of its annual review and approval of these Guidelines.
- 2. Investment Report – Annually, the Treasurer or an Assistant Treasurer, under the direction of the Chief Financial Officer, shall prepare and the Board of Directors shall review and approve an Investment Report, which shall include:
 - a. The Investment Guidelines and amendments thereto since the last report;
 - b. An explanation of the Guidelines and any amendments made since the last report;
 - c. The independent audit report required by Subsection (1) above;
 - d. The investment income record of the Corporation for the fiscal year; and
 - e. A list of fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Corporation since the last report.

The Investment Report shall be submitted to the Mayor and the Comptroller of the City of New York and to the New York State Department of Audit and Control. Copies of the report shall also be made available to the public upon reasonable request.

XIII. Applicability

Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investments of funds made or entered into in violation of, or without compliance with, the provisions of these Guidelines.

XIV. Conflict of Law

In the event that any portion of this policy is in conflict with any State, City or federal law, that law will prevail.

XV. No Conflict With Other Policies of the Corporation

These Investment Guidelines do not modify the powers given by the Corporation's Board of Directors which authorized and resolved that (i) officers of the Corporation are authorized and directed to obtain and maintain any bank, investment, securities and other financial accounts as may be necessary or useful to the Corporation in furtherance of the Corporation's operations (the "Accounts"); (ii) the Treasurer and Assistant Treasurer are authorized and directed to engage in trading or otherwise deal in securities and other investments on behalf of the Corporation and to the extent authorized pursuant to these Guidelines; (iii) the officers of the Corporation are authorized and directed to perform those tasks necessary or useful to ensure that the Corporation, acting through those authorized officers listed in the Bylaws of the Corporation, has access to and control over the Accounts; (iv) the Directors adopted the standard forms of banking resolutions and incumbency certificates ordinarily used by such financial institutions selected by the officers of the Corporation; and (v) any officer of the Corporation was authorized to certify, to the due adoption of such banking resolutions and incumbency certificates. Empowered officers may enter into agreements with banks and financial institutions for bank accounts and to purchase investments of the type indicated in these Investment Guidelines and other investments specifically approved by the Corporation's Board of Directors.

These Investment Guidelines do not modify any restriction, if any, otherwise imposed on various types of funds held by the Corporation, such as any restrictions set forth in any third party contracts with the City, or resulting from the source of funds (e.g. federal funds). Those other restrictions, to the extent inconsistent with these Investment Guidelines, shall govern. If possible, all sets of restrictions should be complied with. Furthermore, by adopting these Investment Guidelines, the Board is not amending or superseding any approval given or hereafter given for investments related to particular projects.

SCHEDULE 2

SCHEDULE OF INVESTMENTS

**New York City Economic Development Corporation
(A Component Unit of the City of New York)
Years Ended June 30, 2019 and 2018
With Report of Independent Auditors**

DRAFT

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Schedule of Investments

Years Ended June 30, 2019 and 2018

Contents

Report of Independent Auditors	1
Schedule of Investments	3
Notes to Schedule of Investments	4
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Investments Performed in Accordance With <i>Government Auditing Standards</i>	7

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Report of Independent Auditors

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

Report on the Schedule of Investments

We have audited the accompanying Schedule of Investments for the New York City Economic Development Corporation ("NYCEDC"), a component unit of the City of New York, as of June 30, 2019 and 2018, and the related notes.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of the Schedule of Investments 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 the Schedule of Investments that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of Investments 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 Schedule of Investments is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Investments. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Investments, 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 Schedule of Investments 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 Schedule of Investments.

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 Schedule of Investments referred to above present fairly, in all material respects, the investments of NYCEDC as of June 30, 2019 and 2018, in conformity with U.S. generally accepted accounting principles.

Report on the Financial Statements as of June 30, 2019 and 2018

We have audited, in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, the financial statements of NYCEDC as of and for the years ended June 30, 2019 and 2018, and our report thereon dated _____, 2019, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated _____, 2019, on our consideration of NYCEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters with respect to the Schedule of Investments. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYCEDC's internal control over financial reporting and compliance with respect to the Schedule of Investments.

_____, 2019

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Schedule of Investments
(In Thousands of Dollars)

	June 30	
	2019	2018
Operating	\$ 132,674	\$ 242,289
Restricted	156,847	149,952
Total investments	<u>\$ 289,521</u>	<u>\$ 392,241</u>

The accompanying notes are an integral part of this schedule.

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Schedule of Investments

June 30, 2019

1. Background and Organization

The accompanying schedule of investments includes the investments of the New York City Economic Development Corporation ("NYCEDC" or the "Corporation").

New York City Economic Development Corporation is a not-for-profit corporation organized under the New York State ("State") Not-for-Profit Corporation Law (the "NPCL") that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code ("IRC"). NYCEDC's primary activities consist of rendering a variety of services to administer certain economic development programs on behalf of the City of New York ("the City") relating to attraction, retention and expansion of commerce and industry in the City. These services and programs include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within the City, and provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided through two contracts with the City: the NYCEDC Master Contract and the NYCEDC Maritime Contract.

2. Summary of Significant Accounting Policies

Investments

Fair Value Measurements – Fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Money market funds, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. US Agencies securities and commercial paper, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at book value.

3. Investments

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations issued by an agency or instrumentality of the United States of America. Other permitted investments include short-term commercial paper, certificates of deposit and bankers' acceptances.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

New York City Economic Development Corporation
(A Component Unit of the City of New York)

Notes to Schedule of Investments (continued)

3. Investments (continued)

As of June 30, 2019 and 2018, the Corporation had the following investments. Investments maturities are shown for June 30, 2019, only (in thousands).

	Fair Value		Investment Maturities at June 30, 2019 in Years	
	2019	2018	Less than 1	1 to 7
Money market funds	\$ 130,854	\$ 169,728	\$ 130,854	\$ -
Money market deposit account	5,256	5,251	5,256	-
FHLB notes	31,256	35,257	9,663	21,593
FHLMC notes	11,737	70,499	2,202	9,535
Commercial paper	33,507	47,732	33,507	-
FFCB notes	20,454	14,515	-	20,454
FNMA notes	5,516	24,578	-	5,516
US Treasury	50,741	24,481	50,741	-
Certificates of deposit	200	200	200	-
	<u>289,521</u>	<u>392,241</u>	<u>\$ 232,423</u>	<u>\$ 57,098</u>

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

Credit Risk – It is the Corporation's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the U.S. government or issued by its agencies. As of June 30, 2019, the Corporation's investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and the Federal Home Loan Mortgage Corporation (FHLMC) were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Commercial papers held were rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investor's Service, Inc.

New York City Economic Development Corporation
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Notes to Schedule of Investments (continued)

3. Investments (continued)

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the Corporation and are held by the counterparty, the counterparty's trust department or agent.

The Corporation manages custodial credit risk by limiting possession of its investments to highly rated institutions and/or requiring that high-quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2019, the Corporation was not subject to custodial credit risk.

Concentration of Credit Risk – The Corporation places no limit on the amount the Corporation may invest in any United States of America government backed securities. The following table shows investments that represent 5% or more of total investments as of June 30, 2019 and 2018 (dollars in thousands).

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2019		June 30, 2018	
Federal Home Loan Mortgage Corp.	\$ 11,737	40.54%	\$ 70,499	32.45%
Federal Home Loan Bank	31,256	10.80	35,257	16.23
Federal Farm Credit Bank	20,454	7.06	14,515	6.68
Federal National Mort. Assoc.	-		24,578	11.31
US Treasury	50,741	17.53	24,481	11.27
Commercial Paper				
Coca-Cola Co.	11,867	4.10		
Prudential PLC	7,844	2.71		

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Investments of the New York City Economic Development Corporation ("NYCEDC"), a component unit of the City of New York, as of June 30, 2019, and the related notes to the Schedule of Investments, and have issued our report there on dated _____, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule of Investments 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.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYCEDC's Schedule of Investments are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and investment policies established by NYCEDC and the New York State Comptroller investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the determination of Schedule of Investments 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.

_____, 2019

Exhibit D

**LAND SALE TO JUGHANDLE REALTY, LLC
Board of Directors Meeting
September 27, 2019**

PURCHASER: Jughandle Realty, LLC
or an affiliated entity ("Purchaser")

Jughandle Realty, LLC is owned by Bartlett Dairy, Inc. ("User"), a family-owned, M/WBE qualified dairy distribution company.

SITE: Block 14260, p/o Lot 1 (the "Site")
Borough of Queens
Community Board No. 13

SITE DESCRIPTION: The Site is located immediately north of JFK Airport, along the south side of Rockaway Boulevard between 145th Avenue and 147th Avenue, just outside the JFK Gateway Industrial Business Improvement District (see Attachment 1).

The Site is approximately 6.15-acres and is a portion of an approximately 8.66-acre parcel of land that is owned by the City (the "Jughandle Property"). The Site is currently vacant land, except for an operational Consolidated Edison Company of New York, Inc. ("ConEd") substation. After sale of the Site, the City will retain ownership of the balance of the Jughandle Property, which is approximately 2.51-acres (the "Adjacent City Property") (Attachment 2) and will be provided with an easement across the Site for access to the Adjacent City Property (approximately shown in Attachment 3).

The Jughandle Property was mapped as an unbuilt portion of the Nassau Expressway. NYCEDC and the Purchaser have jointly applied to demap the Jughandle Property and allow for the disposition of the Site (the "Demapping Action").

The Site will be encumbered with multiple utilities and easements (approximately shown in Attachment 3), including the following:

- a. Approximately 0.17-acre ConEd substation with associated cables for use by ConEd and other utilities. The ConEd substation and cables will be protected under an approximately 1.33-acre easement from the Purchaser to ConEd (the "ConEd Easement").

- b. A National Grid gas pipe runs through the site from Rockaway Boulevard down to the Nassau Expressway. This pipe will also be protected under an approximately 0.19-acre easement from the Purchaser to National Grid (the "National Grid Easement").
- c. Approximately 0.75-acre easement for the New York State Department of Transportation (the "SDOT Easement").

**PROJECT
DESCRIPTION:**

NYCEDC released a Request for Expressions of Interest (the "RFEI") in February of 2015 for the redevelopment of some or all of the Jughandle Property. In 2016, NYCEDC selected the Purchaser to acquire and develop the Site for use as a dairy distribution facility. Respondents to the RFEI and a brief summary of their proposals are listed in Attachment 4.

The Purchaser will develop the Site initially for use by the Purchaser, User and/or affiliated entities. The Site will be developed with an approximately 54,050 square foot distribution facility, comprised of an approximately 38,750 square foot distribution warehouse, an approximately 9,000 square foot mezzanine office space and an approximately 6,300 square foot vehicle repair shop (collectively, the "Project"). The Project will also include parking spaces for employee and for truck use.

The Site will be subject to a 25-year use restriction period, consisting of an initial use period ending 10 years after substantial completion of construction of the Project (the "Initial Use Period") and a following 15-year second use period (the "Second Use Period"). During the Initial Use Period, the Site may only be used by the Purchaser, User and/or their affiliates in connection with their fluid milk and food distribution business. In the Second Use Period, the Site may be used for industrial or distribution uses as permitted under certain use groups specified in the New York City Zoning Resolution, but it may not be used for self-storage or hospitality use.

During the Second Use Period, the Purchaser has the option to remove the use-restriction by making a payment in an amount set forth in the deed for the disposition of the Site to the Purchaser and Attachment 5 hereto.

The transaction also includes a transfer of development rights off of the Site onto the Adjacent City Property, which will leave approximately 55,750 square feet of development rights available for activation on the Site.

**PURPOSE OF THE
DISPOSITION/BENEFIT
TO THE PUBLIC:**

It is anticipated that the disposition of the Site will transform an underutilized City-owned land asset. The Site will become the permanent home for a family-owned, M/WBE certified business that is based in Queens, and it is anticipated will result in the retention of approximately 165 jobs that currently pay average wages of \$70,000 per year.

FINANCIAL TERMS:

NYCLDC will purchase the Site for \$1 from the City and then sell the Site for \$1 to NYCEDC. The Purchaser will then purchase the Site from NYCEDC for \$4,000,000 (the "Purchase Price").

The Purchase Price was established pursuant to a third-party appraisal, which takes into consideration the Site encumbrances (including the SDOT Easement, the ConEd Easement, and the National Grid Easement), the limited development rights available, as well as the use restrictions, outlined herein.

It is anticipated that the Purchaser will receive benefits from the IDA, including building tax stabilization of pre-improvement value for 25 years, full land tax abatement for 25 years, sales and use tax exemption on purchases of machinery and equipment, and a limited mortgage recording tax exemption. The Purchaser will also be pursuing benefits from ESDC.

**PURCHASE OPTION
AND RIGHT OF
FIRST REFUSAL:**

The User does not currently have plans to expand business operations on the Site to the Adjacent City Property, but it is anticipated that it may consider expanding in the future. If the User does choose to expand, then NYCEDC may elect to negotiate a new lease for the Adjacent City Property with the Purchaser. If a lease is entered into, the contract of sale for the Site provides that it is expected that the lease will be for a five-year term and also provides that the lease will include a purchase option, allowing for purchase of the Adjacent City Property by the Purchaser at the fair market

value for the proposed use(s) as appraised around the time the option is exercised. The Purchaser would have this purchase option during the first year of the lease term and a right of first refusal during the remaining four years. This lease for the Adjacent City Property (with the option and right of first refusal) will be subject to NYCEDC Board of Directors approval.

APPRAISED VALUE:

Pursuant to an appraisal report by Goodman-Marks Inc., dated May 11, 2018, the estimated fair market value of the unencumbered fee simple interest of the Site is \$70 PSF (i.e. approximately \$18,752,580). After accounting for the various encumbrances and deed restrictions on the Site, the value was determined to be \$14 PSF (i.e. approximately \$3,836,889).

EXISTING ZONING:

The Site is zoned M1-1 and the proposed land use during the Initial Use Period will comply with zoning Use Group 16, which is permitted as-of-right in M1-1 zoning districts.

**PUBLIC
APPROVALS:**

The Demapping Action was approved by the New York City Council by resolution on June 13, 2019. The Project received ULURP approval in June 11, 2019 and Queens Borough Board 384(b)(4) approval on July 15, 2019.

**PROPOSED
RESOLUTIONS:**

Approval for NYCEDC to (i) purchase the Site from NYCLDC, and sell the Site to the Purchaser, substantially as described herein, (ii) obligate itself to provide an option and right of first refusal for the Adjacent City Property if it elects to offer a lease therefor, substantially as described herein and (iii) enter into and provide any related agreements and documents and consents to effectuate the transactions substantially as described herein

The Board of Directors further resolves that there is no reasonable alternative to the proposed transfer of the Site to the Purchaser that will achieve the same purpose as the transfer.

**NYCEDC
PROJECT CODE:**

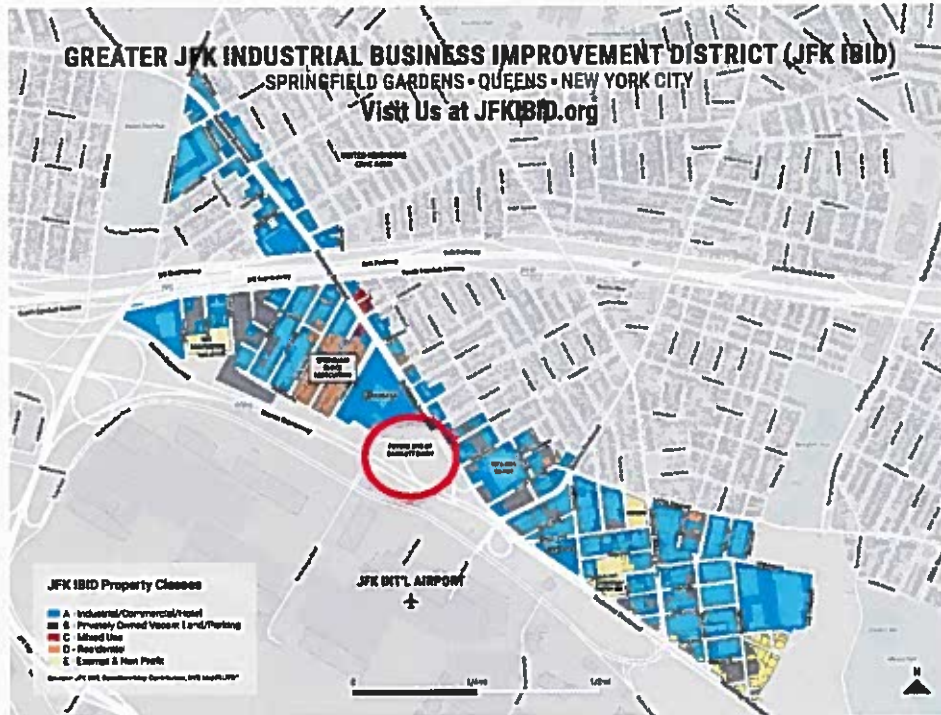
5950

NYCEDC STAFF:

Jennifer Cohen, Assistant Vice President, Real Estate Transaction Services

Mikhael Abebe, Associate, Real Estate Transaction Services
Sunitha Amalraj, Senior Vice President, Real Estate
Transaction Services
Anne Sherman, Senior Counsel, Legal
Carlos Guerra, Assistant Vice President, Legal

Attachment 1: Location Map

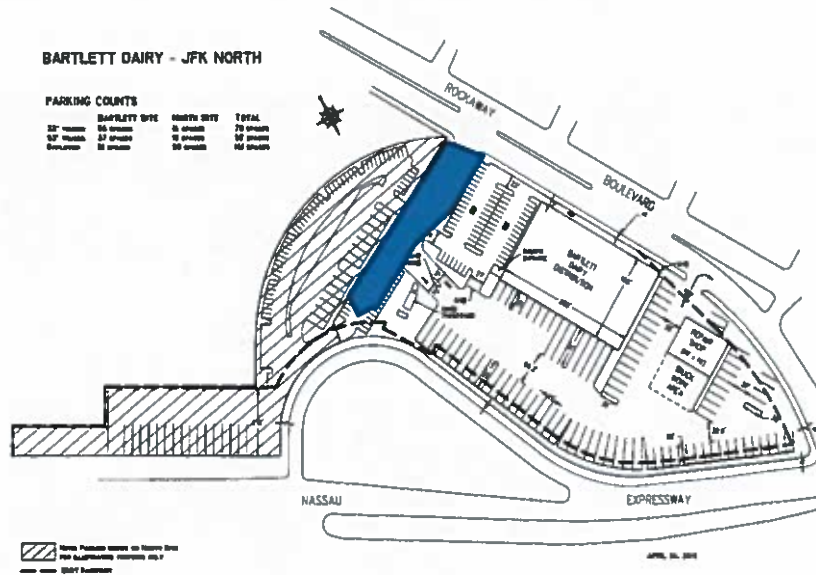


Attachment 2: Site Map

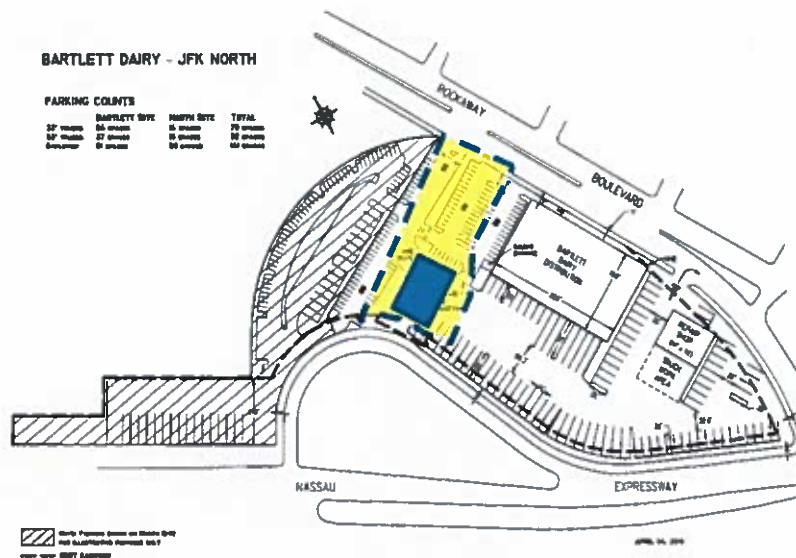


Attachment 3: Encumbrances

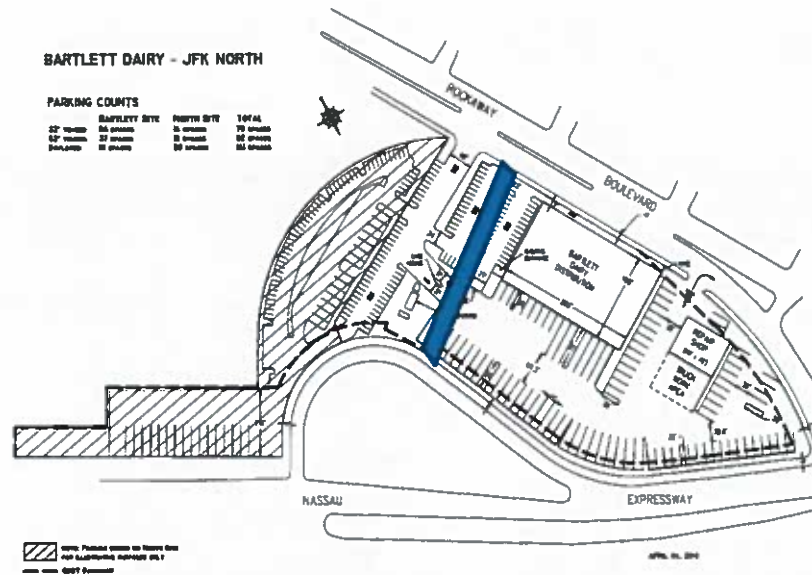
1) New York City Access Easement Area (shaded blue)



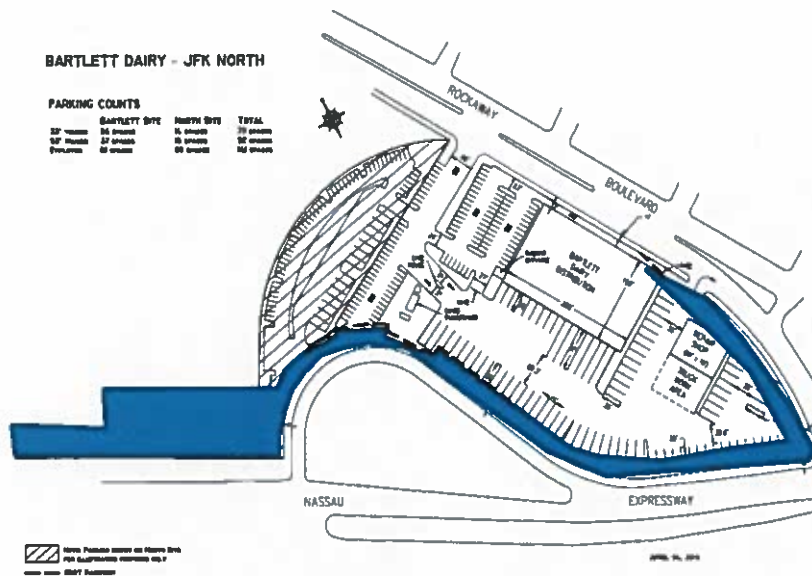
2) Con Edison Easement Area (shaded yellow) and Fenced in Area for Substation (shaded blue)



3) National Grid Easement Area (shaded blue)



4) SDOT Easement (shaded blue)



Attachment 4: RFEI – Initial Responses

Name	Value Offered	Purpose	Size of Proposed Development
Edward J. Minskoff Equities, Inc.	\$12,817,000	Class A commercial office complex	802,112 square feet
Gabrielli Truck Sales LTD.	\$8,050,000	Truck sales and fabrication, including a parts warehouse and repair shop	72,000 square feet
The McSam Hotel Group	\$7,500,000	Hotels, training school, flexible community space, rooftop farm	334,077 square feet
Bartlett Dairy, Inc.	\$7,000,000	Distribute perishable/non-perishable goods, and process and bottle milk	72,000 square feet

Attachment 5: Schedule for Payment to Remove Use Restrictions

The Second Use Period will commence on the first day after the conclusion of the Initial Use Period, which will be the 10th anniversary of the date of substantial completion of construction of the Project.

Year	Payment
Year 11	\$3,112,491
Year 12	\$3,195,491
Year 13	\$3,263,966
Year 14	\$3,314,180
Year 15	\$3,341,799
Year 16	\$3,308,381
Year 17	\$3,234,861
Year 18	\$3,113,554
Year 20	\$2,935,636
Year 21	\$2,691,000
Year 22	\$2,368,080
Year 23	\$1,953,666
Year 24	\$1,432,688
Year 25	\$787,979