# New York City Industrial Development Agency

(a component unit of the City of New York)

## Schedule of Investments

Years Ended June 30, 2019 and 2018
With Report of Independent Auditors

NYCIDA
New York City Industrial Development Agency

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

Schedule of Investments

Years Ended June 30, 2019 and 2018

## Contents

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# Report of Independent Auditors

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

## Report on the Schedule of Investments

We have audited the accompanying Schedule of Investments for the New York City Industrial Development Agency (the "Agency"), 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 presents fairly, in all material respects, the investments of the Agency 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 the Agency as of and for the years ended June 30, 2019 and 2018, and our report thereon dated September 30, 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 September 30, 2019, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters with respect to the Schedule of Investments. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control over financial reporting and compliance with respect to the Schedule of Investments.

Ernst + Young LLP

September 30, 2019

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

## Schedule of Investments
*(In Thousands of Dollars)*

| | June 30 | |
|---|---|---|
| | **2019** | **2018** |
| **Investments** | | |
| Unrestricted | **$ 21,055** | $ 25,040 |
| Restricted Funds Held in Account – Stadia Projects | **117,231** | 112,884 |
| Total investments | **$ 138,286** | $ 137,924 |

*The accompanying notes are an integral part of this statement.*

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

Notes to Schedule of Investments

June 30, 2019

**1. Background and Organization**

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

The Agency assists industrial and commercial organizations through "straight lease" structures. The straight lease provides tax benefits to the participating organizations (the Beneficiaries) to incentivize the acquisition and capital improvement of their facilities. The Agency may also assist Beneficiaries in obtaining long-term, low-cost financing for capital assets through a financing transaction (the Financing Transaction), which includes the issuance of double and triple tax-exempt industrial development bonds (IDBs). The Beneficiaries, in addition to satisfying legal requirements under the Agency's governing laws, must meet certain economic development criteria, the most important of which is job creation and/or retention. Whether the Agency enters into a straight lease or issues IDBs, the Agency may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes (PILOT) that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment.

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

The IDBs are special non-recourse conduit debt obligations of the Agency which are payable solely from the rents and revenues provided for in the lease (Financing Lease) to the Beneficiary. The IDBs are secured by a collateral interest in the Financing Lease, the Beneficiary's project property and, in certain circumstances, by guarantees from the Beneficiary's principals or affiliates or other forms of additional security.

**1. Background and Organization (continued)**

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

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

In addition to IDB financing, the Agency also issued Tax-Exempt PILOT Revenue Bonds, Taxable Rental Revenue Bonds, Taxable Installment Purchase Bonds and Taxable Lease Revenue Bonds in connection with the construction of the new Yankee Stadium and Citi Field (the Stadia Projects). Yankee Stadium, LLC, a Delaware limited liability company, and Queens Ballpark, LLC, a New York limited liability company, undertook the design, development, acquisition and construction of the Stadia Projects. The Taxable Bonds are special limited obligations of the Agency and are payable solely from revenues derived from a Lease Agreement with Yankee Stadium, LLC and a Lease Agreement and Installment Sales Agreement with Queens Ballpark Company, LLC.

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

## 2. Summary of Significant Accounting Policies

### Investments

Investments held by IDA are measured at fair value pursuant to GASB issued Statement No. 72, *Fair Value Measurement and Application*. Money Market Funds, categorized as Level 1 inputs, are valued at the unadjusted prices that are quoted in active principal markets for identical assets. US Agencies securities, categorized as Level 2, are valued on models using observable inputs. Certificates of deposit are valued at cost.

### Restricted Funds Held in Trust – Stadia Projects

Restricted cash, cash equivalents and investments, related to the Stadia Projects, are segregated and designated for purposes of the debt reserve fund and to pay future bond interest and principal payments. These investments are managed by an external investment portfolio manager. Qualified investments, as defined in the bond agreements, are made under the direction of the Agency.

Under the bond agreements, the Agency does not have any obligation to make further contributions to the Stadium Construction Funds. Accordingly, the Agency's financial responsibility will not exceed the amounts currently on deposit in the managed investment portfolio. Therefore, the Agency's obligation is not affected by various risks which include credit risk, interest rate risk and concentration of credit risk. In addition, the restricted investments are not required to be administered in accordance with the Agency's or New York State investment guidelines. The restricted cash equivalents and restricted investments for the Stadia Projects were $29.0 million and $88.2 million, respectively, as of June 30, 2019.

**3. Investments**

As of June 30, 2019 and 2018, the Agency had the following unrestricted investments. Investment maturities are shown for June 30, 2019, only (dollars in thousands).

| | Fair Value | | 2019 Investment Maturities (In Years) | |
|---|---|---|---|---|
| | **2019** | **2018** | **Less Than 1** | **1 to 2** |
| Money Market | **$ 121** | $ 4,377 | **$ 121** | **$ –** |
| Federal National Mort. Assn. Notes | – | 6,819 | – | – |
| Federal Home Loan Mort. Corp. Notes | – | 5,190 | – | – |
| Federal Home Loan Bank Notes | **3,000** | 5,810 | **3,000** | – |
| Federal Farm Credit Bank | **9,932** | 1,245 | **3,309** | **6,623** |
| US Treasury Note | **7,902** | 1,499 | **7,902** | – |
| Certificates of Deposit (over 90 days) | **100** | 100 | **100** | – |
| Total | **$ 21,055** | $ 25,040 | **$ 14,432** | **$ 6,623** |

IDA's investment policy permits the Agency to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations guaranteed by agencies of the United States of America. Other investments include certificates of deposit, and time deposits. All investments are either insured or registered and held by the Agency or its agent in the Agency's name.

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

*Credit Risk:* It is the Agency's policy to limit its investments in debt securities to obligations of the United States of America and its agencies, and obligations of the State of New York. As of June 30, 2019, the Agency's investments in Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation and US Treasury Notes were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings.

**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 Agency will not be able to recover the value of its investments that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Agency.

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

*Concentration of Credit Risk:* The Agency places no limit on the amount the Agency may invest in any United States of America government backed securities. The following table shows investments that represent 5% or more of total investments (dollars in thousands):

| | Dollar Amount and Percentage of Total Investments | | | |
|---|---|---|---|---|
| **Issuer** | **June 30, 2019** | | **June 30, 2018** | |
| Federal Home Loan Mortgage Corp. | **$ –** | **–%** | $ 5,190 | 25.12% |
| Federal National Home Mortgage Assn. | **–** | **–** | 6,819 | 33.00 |
| Federal Home Loan Bank | **3,000** | **14.24** | 5,810 | 28.12 |
| US Treasury Note | **7,902** | **37.53** | 1,499 | 7.25 |
| Federal Farm Credit Bank | **9,932** | **47.17** | 1,245 | 6.03 |

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Investments of the New York City Industrial Development Agency (the "Agency"), 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 thereon dated September 30, 2019.

## Internal Control Over Financial Reporting

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

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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's Schedule of Investments is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and investment policies established by the Agency 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 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.

Ernst + Young LLP

September 30, 2019