# Build NYC Resource Corporation

(a component unit of the City of New York)

## Schedule of Investments

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

Build NYC Resource Corporation

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(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 *Government Auditing Standards*....8

Ernst & Young LLP
5 Times Square
New York, NY 10036

Tel: +1 212 773 3000
ey.com



# Report of Independent Auditors

The Management and the Board of Directors
Build NYC Resource Corporation

## Report on the Schedule of Investments

We have audited the accompanying Schedule of Investments for the Build NYC Resource Corporation (the "Corporation"), 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.

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***Opinion***

In our opinion, the Schedule of Investments referred to above presents fairly, in all material respects, the investments of the Corporation 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 Corporation 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 Corporation'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 Corporation'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 Corporation's internal control over financial reporting and compliance with respect to the Schedule of Investments.

Ernst + Young LLP

September 30, 2019

Build NYC Resource Corporation
(A Component Unit of the City of New York)

# Schedule of Investments

*(In Thousands of Dollars)*

| | June 30 | |
|---|---|---|
| | **2019** | **2018** |
| **Investments** | | |
| Unrestricted | **$ 9,754** | $ 8,947 |
| Total investments | **$ 9,754** | $ 8,947 |

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

## 1. Background and Organization

Build NYC Resource Corporation (Build NYC or the Corporation), a component unit of the City of New York (the City), is a local development corporation, organized under section 1411 of the Not-For-Profit Corporation Law of the State of New York that commenced operation in 2011. Build NYC was organized to assist entities eligible under the federal tax laws in obtaining tax-exempt and taxable bond financing. Build NYC's primary goal is to facilitate access to private activity tax-exempt bond financing for eligible entities to acquire, construct, renovate, and/or equip their facilities as well as refinance previous financing transactions.

The Corporation is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by the Corporation's Certificate of Incorporation and By-Laws which include a public official and appointees of the Mayor.

Bonds issued by Build NYC are special nonrecourse conduit debt obligations of the Corporation which are payable solely from the payments and revenues provided for in the loan agreements with participating organizations (beneficiaries). The bonds are secured by collateral interest in the loan agreements and other security provided by the beneficiaries. Both the bonds and certain provisions of the loan agreements are administered by independent bond trustees appointed by the Corporation.

Because (1) the bonds are nonrecourse conduit debt obligations of the Corporation, (2) the Corporation assigns its interest in the loan agreements as collateral, and (3) the Corporation has no substantive obligations under the loan agreements, the Corporation has, in effect, none of the risks and rewards of the loan agreements and related bond financing. Accordingly, with the exception of certain fees derived from financing transactions, these financing transactions are given no accounting recognition in the financial statements.

**2. Summary of Significant Accounting Policies**

**Cash Equivalents**

The Corporation considers all highly liquid investments purchased with original maturities of 90 days or less to be cash equivalent

**Investments**

All investments are carried at fair value based on quoted market prices, except for certificates of deposit, which are valued at cost.

**3. Investments**

*Fair Value Measurement* – Fair Value hierarchy categorizes the inputs to valuation techniques used to measure fair value into the following levels:

Level 1 – value based on quoted prices in active markets for identical assets.

Level 2 – value based on significant other observable inputs such as a matrix pricing technique. Matric pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Level 3 – value based on inputs that are unobservable and significant to the fair value measurement such as discounted cash flows.

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.

**3. Investments (continued)**

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

| | Fair Value | | 2019 Investment Maturities (In Years) | |
|---|---|---|---|---|
| | **2019** | **2018** | **Less Than 1** | **1 to 2** |
| Money Market Funds | **$ 1,344** | $ 2,563 | $ 1,344 | $ – |
| Federal Farm Credit Bank | **3,010** | – | – | 3,010 |
| Federal Home Loan Bank Notes | **–** | 1,004 | – | – |
| US Treasury Notes | **2,452** | 1,998 | 2,452 | – |
| Commercial Paper | **2,948** | 3,382 | 2,948 | – |
| Total Investments | **$ 9,754** | $ 8,947 | | |

*Interest Rate Risk:* The Corporation has a formal investment policy, which limits investment maturities up 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. Except for holdings in Federal Farm Credit Bank Notes, all of the Corporation's current investments have maturities of one year or less.

*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. As of June 30, 2019, the Corporation's investments in Federal Farm Credit Bank (FFCB) and U.S. Treasury Notes were rated AA+ by Standard & Poor's (S&P), Aaa by Moody's and AAA by Fitch Ratings. Money market funds share the same credit ratings as the Corporation's federally held securities with the exception of S&P, which does not rate such funds. Investments in commercial paper (CP) were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and F1+ 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 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 uninsured and are not registered in the name of the Corporation. The Corporation 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 Corporation.

*Concentration of Credit Risk:* The Corporation places no limit on the amount it may invest in any U.S. 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):

| | **Dollar Amount and Percentage of Total Investments** | | | |
|---|---|---|---|---|
| **Issuer** | **June 30, 2019** | | **June 30, 2018** | |
| Federal Home Loan Bank | **$ –** | **–%** | $ 1,004 | 15.72% |
| Federal Farm Credit Bank | **3,010** | **30.86** | – | – |
| US Treasury Note | **2,452** | **25.14** | 1,998 | 31.30 |
| CP-American Honda Finance Corp | **–** | **–** | 999 | 15.65 |
| CP-Natl Sec Clearing Corp | **–** | **–** | 2,383 | 37.32 |
| CP-Coca-Cola Co. | **984** | **10.09** | – | – |
| CP-Apple Inc | **983** | **10.08** | – | – |
| CP-JP Morgan Securities LLC | **981** | **10.06** | – | – |

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5 Times Square
New York, NY 10036

Tel: +1 212 773 3000
ey.com

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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
Build NYC Resource 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 Build NYC Resource Corporation (the "Corporation"), 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 Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 Corporation 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