

**FINANCIAL REPORT PURSUANT TO SECTION 2800 OF THE
PUBLIC AUTHORITIES LAW
Board of Directors Meeting
September 30, 2020**

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, 2020; 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, 2020, 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
Amy Chan, Senior Vice President and Assistant Treasurer

Summary Financial Information

SUMMARY STATEMENT OF NET ASSETS

		Amount
Assets		
Current Assets		
	Cash and cash equivalents	\$184,775,526.00
	Investments	\$46,729,214.00
	Receivables, net	\$380,242,295.00
	Other assets	\$4,386,898.00
	Total Current Assets	\$616,133,933.00
Noncurrent Assets		
	Restricted cash and investments	\$140,310,710.00
	Long-term receivables, net	\$16,299,848.00
	Other assets	\$17,349,297.00
	Capital Assets	
	Land and other nondepreciable property	\$132,387,196.00
	Buildings and equipment	\$348,672,229.00
	Infrastructure	\$0.00
	Accumulated depreciation	\$27,421,848.00
	Net Capital Assets	\$453,637,577.00
	Total Noncurrent Assets	\$627,597,432.00
	Total Assets	\$1,243,731,365.00
Liabilities		
Current Liabilities		
	Accounts payable	\$78,680,778.00
	Pension contribution payable	\$0.00
	Other post-employment benefits	\$0.00
	Accrued liabilities	\$184,160,774.00
	Deferred revenues	\$29,857,162.00
	Bonds and notes payable	\$0.00
	Other long-term obligations due within one year	\$10,060,922.00
	Total Current Liabilities	\$302,759,636.00
Noncurrent Liabilities		

Annual Report for New York City Economic Development Corporation

Fiscal Year Ending: 06/30/2020

Run Date: 09/24/2020
 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		\$376,724,458.00
	Total Noncurrent Liabilities		\$376,724,458.00
Total Liabilities			\$679,484,094.00
Net Asset (Deficit)			
Net Assets			
	Invested in capital assets, net of related debt		\$321,250,381.00
	Restricted		\$16,499,701.00
	Unrestricted		\$226,497,189.00
	Total Net Assets		\$564,247,271.00

SUMMARY STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

			Amount
Operating Revenues			
	Charges for services		\$675,554,551.00
	Rental & financing income		\$212,030,625.00
	Other operating revenues		\$15,810,376.00
	Total Operating Revenue		\$903,395,552.00
Operating Expenses			
	Salaries and wages		\$59,481,199.00
	Other employee benefits		\$13,604,210.00
	Professional services contracts		\$862,785,335.00
	Supplies and materials		\$1,040,257.00
	Depreciation & amortization		\$14,338,411.00
	Other operating expenses		\$39,064,550.00
	Total Operating Expenses		\$990,313,962.00
Operating Income (Loss)			(\$86,918,410.00)
Nonoperating Revenues			
	Investment earnings		\$4,124,155.00
	State subsidies/grants		\$0.00
	Federal subsidies/grants		\$0.00
	Municipal subsidies/grants		\$0.00
	Public authority subsidies		\$0.00

Annual Report for New York City Economic Development Corporation

Fiscal Year Ending: 06/30/2020

Run Date: 09/24/2020
 Status: UNSUBMITTED
 Certified Date: N/A

	Other nonoperating revenues		\$0.00
	Total Nonoperating Revenue		\$4,124,155.00
Nonoperating Expenses			
	Interest and other financing charges		\$0.00
	Subsidies to other public authorities		\$0.00
	Grants and donations		\$0.00
	Other nonoperating expenses		\$0.00
	Total Nonoperating Expenses		\$0.00
	Income (Loss) Before Contributions		(\$82,794,255.00)
Capital Contributions			\$85,289,917.00
Change in net assets			\$2,495,662.00
Net assets (deficit) beginning of year			\$561,751,609.00
Other net assets changes			\$0.00
Net assets (deficit) at end of year			\$564,247,271.00

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, 2020 and 2019
With Report of Independent Auditors

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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, 2020 and 2019

Contents

I. Financial Section

Report of Independent Auditors.....1

Financial Statements

Management’s Discussion and Analysis4

Statements of Net Position (In Thousands)14

Statements of Revenues, Expenses, and Changes in Net Position (In Thousands)15

Statements of Cash Flow (In Thousands)16

Notes to Financial Statements.....18

Required Supplementary Information

Schedule of Changes in Net OPEB Liability (in thousands)59

Schedule of OPEB Contributions60

Supplementary Information

Combining Schedule of Revenues, Expenses, and Changes in Net Position (In
Thousands).....61

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 *Government Auditing Standards*.....62

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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I. Financial Section

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, 2020 and 2019, 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, 2020 and 2019, 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 schedule 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 schedule 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 schedule 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 September __, 2020, 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.

September __, 2020

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

Management's Discussion and Analysis

June 30, 2020 and 2019

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, 2020 and 2019. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2020 Financial Highlights

Net Position: \$564 million at June 30, 2020

- Cash, cash equivalents and investments decreased \$130 million (or 26%)
- Due from the City, net increased \$65 million (or 71%)
- Capital assets, net, increased \$86 million (or 36%)
- Accumulated decrease in fair value of hedging derivatives increased \$5 million (or 342%)
- Accounts payable and accrued expenses increased \$29 million (or 14%)
- Unearned revenue decreased \$8 million (or 5%)
- Retainage payable increased \$9 million (or 20%)

Change in Net Position was \$2 million for the year ended June 30, 2020

- Grants increased \$190 million (or 41%)
- Property rentals decreased \$24 million (or 11%)
- Project costs and program costs increased \$192 million (or 39%)
- Contract and other expenses to the City decreased \$29 million (or 51%)
- Other general expenses increased \$19 million (or 86%)
- Capital contributions decreased \$79 million (or 48%)
- Net operating loss is \$87 million, offset by capital contributions of \$85 million

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 following table summarizes NYCEDC's financial position at June 30, 2020, 2019, and 2018 (dollars in thousands) and the percentage changes between June 30, 2020 and 2019:

	2020	2019	2018	% Change 2020–2019
Current assets	\$ 616,134	\$ 618,440	\$ 686,251	– %
Non-current assets	619,366	592,763	414,384	4%
Total assets	<u>1,235,500</u>	<u>1,211,203</u>	<u>1,100,635</u>	2%
Deferred outflows of resources	<u>8,231</u>	1,591	–	417%
Current liabilities	302,760	275,082	261,803	10%
Non-current liabilities	372,027	372,751	389,057	– %
Total liabilities	<u>674,787</u>	<u>647,833</u>	<u>650,860</u>	4%
Deferred inflows of resources	4,697	3,209	1,526	46%
Net position:				
Restricted	16,500	63,017	102,543	(74)%
Unrestricted	226,497	263,150	307,576	(14)%
Net investment in capital assets	321,250	235,585	38,130	36%
Total net position	<u>\$ 564,247</u>	<u>\$ 561,752</u>	<u>\$ 448,249</u>	– %

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)

During fiscal year 2020 total assets increased \$24.3 million or 2%. The Corporation realized a net increase of \$85.7 million in capital assets, consisting of a \$19 million increase in leasehold improvements for NYCEDC's new headquarters at One Liberty Plaza and \$95.1 million in vessel acquisition costs for the operation of NYC Ferry. On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. As a result, NYCEDC was tasked with assisting the City in its COVID-19 response efforts during the last quarter of the fiscal year. A net receivable increase of \$65.0 million in Due from the City primarily resulted from a \$49.7 million receivable for procurement of goods and services in response to COVID-19 and \$17.5 million for vessel acquisitions. These increases in assets were offset by a \$130.1 million decrease in cash, cash equivalents, and investments largely used to fund the acquisition of the vessels and COVID-19 procurements. Additionally, tenant collections from property rental revenue decreased significantly due to COVID-19.

Total liabilities increased \$26.9 million or 4%. Accounts payable and accrued expenses increased by \$29.3 million, mainly due to COVID-19 procurement of goods and services. Retainage payable increased by \$8.7 million largely due to projects for Coney Island Hospital and NYC Green Infrastructure. This increase was offset by a \$7.9 million decrease in unearned revenue primarily due to \$3.7 million of rent prepayments recognized into income from 14th at Irving Street.

The Corporation's overall net position during fiscal year 2020 increased \$2.5 million or less than 1% as a result of the fiscal year operating activities. This increase consisted of a \$85.7 million increase in net investment in capital assets which is offset by a \$46.5 million decrease in restricted net position and a \$36.7 million decrease in unrestricted net position.

Prior Year

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.

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.

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 change in net position for the fiscal years ended June 30, 2020, 2019, and 2018 (dollars in thousands) and the percentage changes between fiscal years 2020 and 2019:

	2020	2019	2018	% Change 2020–2019
Operating revenues:				
Grants	\$ 657,863	\$ 467,458	\$ 488,174	41%
Real estate sales, property rentals	204,986	231,726	223,080	(12)%
Fees and other income	40,546	46,991	49,867	(14)%
Total operating revenues	<u>903,395</u>	<u>746,175</u>	<u>761,121</u>	21%
Operating expenses:				
Project and program costs	679,955	487,600	490,021	39%
Property rental expenses	102,057	100,348	87,566	2%
Ferry related expenses, net	52,588	52,950	43,932	(1)%
Personnel services	73,085	66,873	64,242	9%
Contract expenses to the City	28,265	57,657	30,105	(51)%
Office rent and other expenses	54,364	41,046	35,256	32%
Total operating expenses	<u>990,314</u>	<u>806,474</u>	<u>751,122</u>	23%
Operating (loss) income	<u>(86,919)</u>	<u>(60,299)</u>	<u>9,999</u>	44%
Total non-operating income (expenses)	<u>4,124</u>	<u>9,151</u>	<u>4,401</u>	(55)%
Change in net position before capital contributions	<u>(82,795)</u>	<u>(51,148)</u>	<u>14,400</u>	62%
Capital contribution	85,290	164,651	–	(48)%
Change in net position	<u>2,495</u>	<u>113,503</u>	<u>14,400</u>	(98)%
Total net position, beginning of year	<u>561,752</u>	<u>448,249</u>	<u>433,849</u>	25%
Total net position, end of year	<u>\$ 564,247</u>	<u>\$ 561,752</u>	<u>\$ 448,249</u>	– %

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)

During fiscal year 2020, operating revenues increased \$157.2 million or 21%, primarily due to a \$190.4 million increase in reimbursable grants, partially offset by a \$24.2 million decrease in property rentals income. The increase in reimbursable grants is primarily due to \$124 million of reimbursable COVID-19 response expenses incurred during the fourth quarter of the fiscal year and \$59 million of reimbursable costs for the New York City Health and Hospitals Corporation's Coney Island Hospital project. NYCEDC's COVID-19 response efforts include \$84 million of personal protective equipment and other supplies, and \$45 million of grant and loan programs to aid impacted businesses. Property rental revenue decreased by \$24.2 million mainly due to several large one-time additional rent transactions that occurred in 2019 for properties at Forest City Pierpoint and Atlantic Center amounting to approximately \$20 million. Additionally, due to COVID-19 and a suspension to cruise operations, cruise revenue decreased approximately \$7.1 million from 2019. Rent deferrals and abatements amounting to approximately \$7.0 million were also provided to tenants as a result of COVID-19.

Operating expenses during fiscal year 2020 increased \$183.8 million or 23%. Project costs increase \$88.8 million mainly due to aforementioned reimbursable COVID-19 expenses incurred, offset by expense reductions for construction projects related to the High Line and Workforce One Development. Program costs increased \$103.6 million primarily due to an increase in expenses for New York City Health and Hospital Corporation's Coney Island Hospital, NYC Green Infrastructure and the Irish Arts Center. Other general expenses increased \$19.0 million primarily due to an increase in depreciation expense of \$8.6 million. This increase is the result of the capitalization of costs for NYCEDC's headquarters in July 2020 and vessel additions. Additionally, loan allowances increased by \$5.0 million as a result of COVID-19 transactions. Contract expenses to the City decreased by \$29.4 million due to a prior year additional payment of \$30 million made to the City at the City's request.

Accordingly, operating income decreased by \$26.6 million as compared to fiscal year 2019 with the Corporation recognizing a net operating loss of \$86.9 million during fiscal year 2020.

Non-Operating Activities

Total non-operating revenues for fiscal years 2020 and 2019 were \$4.1 million and \$9.2 million, respectively. The fiscal year 2020 total was due to investment income which was a \$4.9 million reduction from fiscal year 2019.

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)

Capital Contributions

Primarily driven by NYCEDC's ownership of ferry vessels acquired with City funding, NYCEDC recognizes 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 2020, NYCEDC recognized \$85.3 million of capital contributions, of which \$79.9 million was for vessel acquisitions for the NYC Ferry system, and \$5.4 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 \$86.9 million has been offset by capital contributions of \$85.3 million and non-operating revenue of \$4.1 million. As a result, the Corporation recognized an increase in net position of \$2.5 million during fiscal year 2020. This constitutes a decrease of \$111.0 million or 98% as compared with the change in fiscal year 2019.

Prior Year

During fiscal year 2019, operating revenues decreased \$14.9 million or 2%, primarily due to a \$20.7 million decrease in reimbursable grants and a \$5.4 million decrease in other income, all of which was partially offset by a \$8.0 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 \$8.0 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.

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)

Operating expenses during fiscal year 2019 increased \$55.3 million. Property rental and related operating expenses increased by \$12.8 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 operation of all initially planned routes in the ferry system for ten out of twelve months of the fiscal year. 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.

Capital Contributions

Primarily driven by NYCEDC's ownership of ferry vessels acquired with City funding, NYCEDC now recognizes 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.

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)

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.

Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2020, 2019 and 2018 (dollars in thousands) and the percentage change between June 30, 2020 and 2019:

	2020	2019	2018	% Change 2020-2019
Leasehold improvements	\$ 84,253	\$ 28,947	\$ 26,539	191%
Equipment and computer software	19,894	15,974	10,750	25%
Vessels	227,424	132,308	6,000	72%
Work-in progress - vessels	5,567	20,754	-	(73)%
Work-in progress - other	11,534	58,640	9,821	(80)%
	348,672	256,623	53,110	36%
Less accumulated depreciation and amortization	(27,422)	(21,038)	(14,980)	30%
Net capital assets	\$ 321,250	\$ 235,585	\$ 38,130	36%

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

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

Management's Discussion and Analysis (continued)

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://edc.nyc/contact-us>

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

Statements of Net Position (In Thousands)

	June 30	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents – current	\$ 86,571	\$ 60,620
Restricted cash and cash equivalents – current	98,205	142,191
Unrestricted investments	20,747	55,387
Restricted investments	25,982	40,826
Current portion of loans and mortgage notes receivable	8,096	6,300
Due from the City, including \$216,217 and \$191,577, respectively, under contracts with the City	296,911	235,363
Tenant receivables, net of allowance for uncollectible amounts of \$44,050 and \$30,136, respectively	59,647	62,790
Prepaid expenses and other current assets	4,387	3,158
Other receivables	15,588	11,805
Total current assets	616,134	618,440
Non-current assets:		
Restricted cash and cash equivalents	139,266	145,724
Unrestricted investments	1,044	39,897
Restricted investments	–	17,301
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of \$6,579 and \$930 respectively)	16,300	14,832
Capital assets, net	321,250	235,585
OPEB asset	1,707	1,984
Land held for development, at cost	132,387	132,387
Other assets	7,412	5,053
Total non-current assets	619,366	592,763
Total assets	1,235,500	1,211,203
Deferred outflows of resources		
Deferred outflows of resources related to OPEB	1,205	–
Accumulated decrease in fair value of hedging derivatives	7,026	1,591
Total deferred outflows of resources	8,231	1,591
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses, including \$96,925 and \$92,713, respectively, under contracts with the City	238,777	209,434
Deposits received on pending sales of real estate	9,151	12,538
Due to the City: real estate obligations and other	14,914	12,811
Unearned revenue	29,857	34,786
Other liabilities	10,061	5,513
Total current liabilities	302,760	275,082
Non-current liabilities:		
Tenant security and escrow deposits payable	44,050	45,019
Due to the City: real estate obligations	125,020	125,020
Unearned revenue, including unearned grant revenue of \$26,320 and \$26,196, respectively, under contracts with the City	132,670	135,645
Retainage payable	52,003	43,338
Other liabilities	18,284	23,729
Total non-current liabilities	372,027	372,751
Total liabilities	674,787	647,833
Deferred inflows of resources		
Deferred inflows of resources related to OPEB	4,697	3,209
Total deferred inflows of resources	4,697	3,209
Net position:		
Restricted by law or under various agreements	16,500	63,017
Unrestricted	226,497	263,150
Net investment in capital assets	321,250	235,585
Total net position	\$ 564,247	\$ 561,752

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	
	2020	2019
Operating revenues:		
Grants	\$ 657,863	\$ 467,458
Property rentals	198,312	222,474
Real estate sales, net	6,674	9,252
Fee income	9,136	12,333
Other income	31,410	34,658
Total operating revenues	903,395	746,175
Operating expenses:		
Project costs	203,653	114,880
Program costs	476,302	372,720
Property rentals and related operating expenses	102,057	100,348
Ferry related expenses, net	52,588	52,950
Personnel services	73,085	66,873
Contract and other expenses to the City	28,265	57,657
Office rent	13,192	18,912
Other general expenses	41,172	22,134
Total operating expenses	990,314	806,474
Operating (loss) income	(86,919)	(60,299)
Non-operating revenues (expenses):		
Income from investments	4,124	9,057
Other non-operating income	-	94
Total non-operating revenues, net	4,124	9,151
Change in net position before capital contribution	(82,795)	(51,148)
Capital contribution	85,290	164,651
Change in net position	2,495	113,503
Net position, beginning of year	561,752	448,249
Net position, end of year	\$ 564,247	\$ 561,752

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	
	2020	2019
Cash flows from operating activities		
Real estate sales	\$ 3,587	\$ 8,674
Property rentals	191,594	240,833
Grants from the City	582,728	472,195
Fee income	9,134	11,333
Other income	30,697	34,960
Project costs	(163,096)	(112,112)
Program costs	(476,755)	(385,727)
Property rentals and related operating expenses	(94,062)	(104,471)
Ferry expenses	(59,267)	(57,825)
Personnel services	(71,556)	(65,136)
Office rent	(13,192)	(8,693)
Contract and other expenses to the City	(28,265)	(40,871)
Other general and administrative expenses	(31,651)	(2,206)
Repayments of loans and mortgage receivable	(4,478)	2,760
Tenant security and escrow deposits	(969)	(26,407)
Other	3,547	4,965
Net cash used in operating activities	(122,004)	(27,728)
Cash flows from capital and related financing activities		
Purchase of capital assets	(81,334)	(156,291)
Capital contribution	69,083	87,878
Net cash used in capital and related financing activities	(12,251)	(68,413)
Cash flows from investing activities		
Sale of investments	196,936	384,485
Purchase of investments	(91,298)	(320,634)
Interest income	4,124	9,057
Net cash provided by investing activities	109,762	72,908
Net (decrease) increase in cash and cash equivalents	(24,493)	(23,233)
Cash and cash equivalents, beginning of year	348,535	371,768
Cash and cash equivalents, end of year	\$ 324,042	\$ 348,535

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	
	2020	2019
Reconciliation of operating (loss) income to net cash provided by operating activities		
Operating income	\$ (86,919)	\$ (60,299)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,685	6,058
Straight-line revenue	(10,535)	(697)
Provision for COVID-19	6,896	-
Provision for bad debts	11,906	5,330
Amortization of unearned revenues and prepaid expenses	(11,586)	(14,757)
Changes in operating assets, liabilities and deferred inflow/outflow of resources:		
Due to/from the City	(67,930)	42,394
Other non-current assets	(1,845)	(1,918)
Tenant receivables	(3,114)	5,890
Prepaid expenses and other receivables	1,698	7,030
Loans and mortgage notes receivable	(3,500)	5,937
Tenant security and escrow deposits payable	(969)	(26,407)
Accounts payable and accrued expenses	26,533	(25,705)
Deposits received on pending sales of real estate	(3,387)	(578)
Net OPEB liability	278	(3,547)
Unearned grant revenue	1,713	13,721
Deferred inflows of resources	283	92
Retainage payable	8,665	(3,820)
Other current liabilities	(690)	1,993
Other non-current liabilities	(4,186)	21,555
Net cash used in operating activities	\$ (122,004)	\$ (27,728)
Supplemental disclosures of non-cash activities		
Unrealized gain on investments	\$ 811	\$ 2,574

See accompanying notes.

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

Notes to Financial Statements

June 30, 2020

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 base rent payments 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.

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

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately. The Corporation has adopted this standard and will delay implementation of relevant GASB statements covered by GASB 95 until their new respective effective dates.

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.

With the adoption of GASB 95, 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 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. With the adoption of GASB 95, provisions of this Statement are effective for fiscal years beginning after June 15, 2021. The Corporation is evaluating the impact this standard will have on its 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 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. With the adoption of GASB 95, 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 its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Paragraphs 4, 5, 11 and 13 were effective immediately upon issuance of this Statement and did not have a significant impact to the Agency's financial statements. With the adoption of GASB 95, provisions of this Statement, other than those stated in paragraphs 4, 5, 11 and 13, are effective for fiscal years beginning after June 15, 2021. The Corporation is evaluating the impact this standard will have on its financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Provisions of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Corporation is evaluating the impact this standard will have on its 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 2020, GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The Corporation is evaluating the impact this standard will have on its 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

Assets purchased for internal use by NYCEDC in excess of \$10,000 are capitalized and consist primarily of vessels operating under the NYC Ferry system, leasehold improvements and equipment. 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. Accordingly, 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 reimbursements, 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 2020, NYCEDC recognized \$85.3 million of capital contributions, of which \$79.9 million was for vessel acquisitions for the NYC Ferry system, and \$5.4 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, 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 \$3.0 million and \$33.6 million from its unrestricted net position in fiscal years 2020 and 2019, 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 amounts collected from the 42nd Street Development Project. The amounts remitted from this source for fiscal year 2020 and 2019 were \$25 million and \$24 million, respectively (Note 14).

4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2020, grant revenue was \$658 million, of which \$636 million comprised reimbursement grants from and through the City, and the remaining \$22 million was provided by other sources. For the year ended June 30, 2019, grant revenue was \$469 million, of which \$433 million comprised reimbursement grants from and through the City, and the remaining \$36 million was provided by other sources.

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

NYCEDC may purchase land to help achieve the City's and NYCEDC's redevelopment goals. In both fiscal years 2020 and 2019, 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, 2020 and 2019, real estate obligations due to the City were \$125 million.

The following table summarizes land held for development and real estate obligations due to the City for the fiscal years ended June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
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	54	54
Land held for development	\$ 7,367	\$ 7,367
Boardwalk, Coney Island	\$ 105,345	\$ 105,345
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	125,020	125,020
Total land held for development	\$ 132,387	\$ 132,387

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

Notes to Financial Statements (continued)

6. Other Income

The following table summarizes other income for the fiscal years ended June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Tenant reimbursements	\$ 12,902	\$ 8,482
Developer contributions	2,620	2,742
Service agreements	2,582	1,348
Interest income from loans	816	861
Loan/bad debt recovery income	254	2,464
Development rights	-	4,264
Tenant liquidated damages	3,878	7,141
Termination of Letter of Intent	2,728	-
Other miscellaneous income	5,630	7,356
Total	<u>\$ 31,410</u>	<u>\$ 34,658</u>

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, 2020 and 2019, these mortgage notes totaled \$7.8 million and \$8.0 million, respectively, exclusive of any interest receivable.

NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with its 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, 2020, the loan and mortgage notes portfolio consisted of 15 loans that bear interest at rates ranging from 0% to 9.50% and mature at various dates through October 1, 2046.

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)

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
2021	\$ 4,188	\$ 469
2022	663	355
2023	372	345
2024	522	338
2025	604	463
2026–2030	7,700	1,552
2031–2035	5,933	1,352
2036–2040	8,562	859
2041–2045	1,933	217
2046–2047	498	8
	30,975	\$ 5,958
Allowance for uncollectible amounts	(6,579)	
Loans and mortgage notes receivable, net	\$ 24,396	

The seven largest loans in fiscal year 2020 represent approximately 96% of the loan portfolio balance. The composition of the entire portfolio, by industry type, at June 30, 2020, was as follows: real estate development 25% and other services 75%.

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

Notes to Financial Statements (continued)

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, 2020 and 2019, amounted to \$15 and \$13 million, respectively.

Pursuant to the Master Contract with the City, NYCEDC recorded total grants from and through the City in the amount of \$636 and \$433 million during fiscal years 2020 and 2019, respectively, of which \$216 and \$192 million in capital funds were unpaid by the City as of June 30, 2020 and 2019, 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, 2018 to June 30, 2020, consisted of the following (dollars in thousands):

	June 30, 2018	Additions/ Depreciation	Disposals	June 30, 2019	Additions/ Depreciation	Disposals	June 30, 2020
Equipment	\$ 9,962	\$ 5,224	\$ —	\$ 15,186	\$ 8,511	\$ (6,313)	\$ 17,384
Leasehold improvements	26,539	2,408	—	28,947	59,458	(4,152)	84,253
Vessels	6,000	126,308	—	132,308	95,116	—	227,424
Computer software	788	—	—	788	1,722	—	2,510
Work-in-progress - vessels	—	20,754	—	20,754	(15,187)	—	5,567
Work-in-progress - other	9,821	48,819	—	58,640	(47,106)	—	11,534
Capital assets	53,110	203,513	—	256,623	102,514	(10,465)	348,672
Less: Accumulated							
Depreciation/amortization	(14,980)	(6,058)	—	(21,038)	(14,685)	8,301	(27,422)
Capital assets, net	<u>\$ 38,130</u>	<u>\$ 197,455</u>	<u>\$ —</u>	<u>\$ 235,585</u>	<u>\$ 87,829</u>	<u>\$ (2,164)</u>	<u>\$ 321,250</u>

Depreciation and amortization of capital assets and obligations for the fiscal years ended June 30, 2020 and 2019, were \$14.7 million and \$6.1 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 \$314.1 million, of which \$12.6 million was FDIC insured. Of the remaining balance, \$145.5 million was invested in money market funds. Emergency funds on hand amounted to \$10,000 at June 30, 2020.

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, 2020 and 2019, the Corporation had the following investments. Investments maturities are shown for June 30, 2020, only (in thousands):

	Fair Value		Investment Maturities at June 30, 2020, in Years	
	2020	2019	Less Than 1	1 to 7
Money market mutual funds	\$ 140,260	\$ 130,854	\$ 140,260	\$ —
Money market deposit account	5,251	5,256	5,251	—
FHLB notes	5,630	31,256	5,630	—
FHLMC notes	1,044	11,737	—	1,044
Commercial paper	7,995	33,507	7,995	—
FFCB notes	—	20,454	—	—
FNMA notes	2,026	5,516	2,026	—
U.S. Treasuries	30,878	50,741	30,878	—
Certificates of deposit	200	200	200	—
	193,284	289,521	\$ 192,240	\$ 1,044
Less amount classified as cash equivalents	(145,511)	(136,110)		
Total investments	\$ 47,773	\$ 153,411		

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. Securities of U.S. Agencies 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, 2020, the Corporation's investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and U.S. Treasuries 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, 2020, 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, 2020 and 2019 (dollars in thousands):

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2020		June 30, 2019	
U.S. Treasuries	\$ 30,878	15.98%	\$ 50,741	17.53%
Federal Home Loan Bank	–	–	31,256	10.80
Federal Farm Credit Bank	–	–	20,454	7.06

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 \$4.1 million and \$9.1 million for the fiscal years ended June 30, 2020 and 2019, 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 and City-owned properties that are leased to private parties. In the case of properties leased to NYCEDC, NYCEDC in turn, leases or subleases the properties to commercial and industrial tenants. In the case of properties that are covered by ground leases, the ground leases 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 base rents 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, 2020, 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
2021	\$ 19,110	\$ 20,946	\$ 33,133	\$ 11,430	\$ 191	\$ 84,810
2022	18,108	20,032	31,750	11,430	191	81,511
2023	14,916	19,293	31,073	11,430	191	76,903
2024	12,464	19,180	29,474	11,430	191	72,739
2025	10,618	18,728	28,613	11,430	191	69,580
2026–2030	35,452	90,651	180,201	57,150	952	364,406
2031–2035	9,189	88,525	50,116	57,150	952	205,932
2036–2040	4,148	86,696	50,116	57,150	63	198,173
2041–2045	4,148	16,231	35,473	57,150	–	113,002
2046–2050	4,148	79,651	35,473	57,150	–	176,422
Thereafter	2,973	454,633	55,133	452,374	–	965,113
Total	\$ 135,274	\$ 914,566	\$ 560,555	\$ 795,274	\$ 2,922	\$ 2,408,591

The thereafter category includes 40 leases with expiration dates between July 1, 2050 and December 31, 2100.

12. NYC Ferry System

In 2016, NYCEDC contracted with HNY Ferry, LLC (HNY) for the provision of 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. 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. The initial NYC Ferry routes began operations between 2017 and 2018.

The net cost of these operations as of June 30, 2020 and 2019, were \$52.6 million and \$53 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).

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

Notes to Financial Statements (continued)

13. Future Tenant Receivables

Pursuant to the ground leases with Brookfield Asset Management (formerly, 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 \$32.7 million, of which \$19.1 million is for Jay Street (One Metrotech Center), \$4.3 million is for Bridge Street (Two Metrotech Center), \$5.5 million is for Tech Place (11 Metrotech Center) and \$3.8 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, 2020 and 2019, amounted to \$5.9 million and \$5.5 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.

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)

Benefit provisions and contribution requirements for the plan are administered and managed by a committee consisting of NYCEDC employees 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 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.

Employees Covered by Benefit Terms. At June 30, 2020 and 2019, the following employees were covered by the benefit terms:

	2020	2019
Active Employees	66	66
Inactive Employees and/or beneficiaries currently receiving benefit payments	37	39
Future retirees and beneficiaries not currently receiving benefit payments	6	–
Total participants	109	105

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)

For fiscal year 2020, benefit payments amounting to approximately \$230,000 were paid by NYCEDC and will be reimbursed by the Trust from net position available for plan benefits. For fiscal year 2019 and prior, benefits payments were paid directly by NYCEDC. In June of 2020, the OPEB committee voted to have the Trust reimburse NYCEDC for 2019 benefits premiums paid of approximately \$186,000. Beginning fiscal year 2021, benefit premiums will be paid directly by the Trust.

Contributions. NYCEDC has the right to establish and amend the contribution requirements. For the year ended June 30, 2020 and 2019, the average contribution rate was 0% of covered payroll.

Net OPEB Asset/Liability

The Corporation's net OPEB liability was measured as of June 30, 2020 and June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The actuarial assumptions used in the June 30, 2019 valuation were based on information provided by NYCEDC for the period of July 1, 2019 through June 30, 2020.

Actuarial Assumptions. The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% per annum, compounded annually
Investment rate of return	2019 – 4.4% per annum, compounded annually 2020 – 4.6% per annum, compounded annually
Salary increases	4.25%
Healthcare costs trend rates	7.4% grading down to an ultimate rate of 4.75% for <65, 6.8% grading down to an ultimate rate of 4.75% for >65

Mortality rates were based on the Pub-2010 Above Median Headcount Weighted General Mortality table published by the Society of Actuaries in 2019. The mortality improvement scale was updated to the MP-2019 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 11.5% and 6% for the years ended June 30, 2020 and 2019, respectively. The calculation is based on monthly income and average monthly investment balances.

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 2020 and 2019:

<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>

The cash and cash equivalent balance in the Trust was \$543,891 at June 30, 2020, all of which is invested in money market funds.

Discount Rate. The discount rate used to measure the total OPEB liability was 4.15% and 4.19% at June 30, 2020 and June 30, 2019, respectively. The projection of cash flows used to determine the discount rate does not assume any additional contributions. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2058. After that time, benefit payments for current plan members will be funded on a pay-as-you-go basis.

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, 2020, in (dollars in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balances at beginning of the year	\$ 19,211	\$ 21,195	\$ (1,984)
Changes for the year:			
Service cost	380	-	380
Interest	816	-	816
Changes of benefit terms	900	-	900
Difference between expected and actual experience	1,440	-	1,440
Changes of assumptions	(1,177)	-	(1,177)
Contributions - Employer		208	(208)
Net investment income	-	2,434	(2,434)
Benefit payments	(208)	(208)	-
Plan expense	-	(36)	36
Benefits and expenses payable	-	(524)	524
Net changes	2,151	1,874	277
Net OPEB Liability/(Asset) at end of year	\$ 21,362	\$ 23,069	\$ (1,707)

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 (3.15 percent) or 1-percentage-point higher (5.15 percent) than the current discount rate:

	Discount Rate		
	1% Decrease	(4.15%)	1% Increase
Net OPEB (asset)/liability, June 30, 2020	\$ 1,686	\$ (1,707)	\$ (4,507)

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 (asset)/liability of the Corporation, as well as what the Corporation's net OPEB (asset)/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	1% Increase
Net OPEB (asset)/liability, June 30, 2020	\$ (5,010)	\$ (1,707)	\$ 2,446

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

For the year's ended June 30, 2020 and 2019, NYCEDC recognized an OPEB expense of \$0.2 million and OPEB gain of \$0.3 million, respectively. OPEB income/expense is reported in the NYCEDC's financial statements as part of personnel services expense. At June 30, 2020, NYCEDC reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows	Deferred Outflows
Difference between expected and actual experience	\$ 183	\$ 1,205
Changes in assumptions	3,123	-
Difference between projected and actual investment earnings	1,391	-
	\$ 4,697	\$ 1,205

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)

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

Year ended June 30:	
2021	\$ 956
2022	956
2023	944
2024	684
2025 and thereafter	(48)
	<u>\$ 3,492</u>

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, 2020, CLIC had no investments and maintained a cash balance of approximately \$2.9 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.

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)

Statements of Net Position

The following table summarizes CLIC's financial position at June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Total assets	\$ 2,917	\$ 2,393
Total liabilities	7	19
Total net position	\$ 2,910	\$ 2,374

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, 2020 and 2019 (dollars in thousands):

	2020	2019
Operating revenues	\$ 615	\$ 380
Operating expenses	79	87
Operating income	536	293
Change in net position	536	293
Total net position, beginning of year	2,374	2,081
Total net position, end of year	\$ 2,910	\$ 2,374

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.

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)

Statements of Net Position

The following table summarizes ESLSF's financial position at June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Total assets	\$ 3,853	\$ 3,574
Total liabilities	360	56
Total net position	\$ 3,493	\$ 3,518

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, 2020 and 2019 (dollars in thousands):

	2020	2019
Operating revenues	\$ 187	\$ 126
Operating expenses	225	225
Operating loss	(38)	(99)
Non-operating income (loss)	13	13
Change in net position	(25)	(86)
Total net position, beginning of year	3,518	3,604
Total net position, end of year	\$ 3,493	\$ 3,518

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.

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)

Statements of Net Position

The following table summarizes NYCEF's financial position at June 30, 2020 and 2019 (dollars in thousands):

	2020	2019
Total assets	\$ 1,390	\$ 808
Total liabilities	—	—
Total net position	\$ 1,390	\$ 808

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, 2020 and 2019 (dollars in thousands):

	2020	2019
Operating revenues	\$ —	\$ —
Operating expenses	—	—
Operating income	—	—
Interfund transfers	501	—
Change in net position	501	—
Total net position, beginning of year	808	808
Total net position, end of year	\$ 1,309	\$ 808

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.

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)

Statements of Net Position

The following table summarizes NYCFF's financial position at June 30, 2020 (dollars in thousands):

	2020	2019
Total assets	\$ 214,038	\$ 125,437
Total liabilities	—	—
Total net position	\$ 214,038	\$ 125,437

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, 2020 (dollars in thousands):

	2020	2019
Operating revenues	\$ —	\$ —
Operating expenses	6,515	871
Operating loss	(6,515)	(871)
Capital contribution	95,116	126,308
Change in net position	88,601	125,437
Total net position, beginning of year	125,437	—
Total net position, end of year	\$ 214,038	\$ 125,437

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)

NYC COVID-19 Emergency Services, LLC

The NYC COVID-19 Emergency Services LLC (NYCCES) was formed in April of 2020 to take all appropriate and necessary steps to render all required and available assistance to protect the security, wellbeing and health of the residents of the City and property in which the City or NYCEDC has an interest. Such services may include, but are not limited to, making emergency procurements of goods and services for such purposes.

The following table summarizes NYCCES's financial position at June 30, 2020 (dollars in thousands):

	2020
Total assets	\$ 47,735
Total liabilities	47,735
Total net position	\$ —

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes NYCCES's change in net position for the fiscal years ended June 30, 2020 (dollars in thousands):

	2020
Operating revenues	\$ 84,996
Operating expenses	84,996
Operating income (loss)	—
Non-operating income (loss)	—
Change in net position	—
Total net position, beginning of year	—
Total net position, end of year	\$ —

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

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, 2020 and 2019, \$1,704 and \$1,593, respectively, was provided to LDC for such expenses.

New York City Industrial Development Agency (IDA)

NYCEDC is responsible for administering the economic development programs of IDA. For fiscal years ended June 30, 2020 and 2019, NYCEDC earned management fee income from IDA of \$4.4 million and \$4.4 million, respectively. At June 30, 2020 and 2019, the amounts due from IDA totaled \$0.2 million and \$0.5 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, 2020 and 2019, NYCEDC earned management fee income from Build NYC of \$2.2 million and \$2.2 million, respectively. At June 30, 2020 and 2019, the amounts due from Build NYC totaled \$0.9 million and \$0.2 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, 2020 and 2019, NYCEDC earned management fees of \$0.3 million and \$0.3 million, respectively from TCR.

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 Neighborhood Capital Corporation (NCC)

NCC is a 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, 2020.

Public Realm Improvement Fund Governing Group Inc. (PRIF)

PRIF was incorporated under NPCL and commenced operation in 2017. PRIF was created to administer the Public Realm Improvement Fund (the Fund) for the exclusive charitable and public purpose of lessening the burdens of government for the City and acting in the public's interest. Specifically, this is done by allocating funds from the Fund to implement public realm improvement projects in East Midtown. NYCEDC provided full management services to PRIF and no fees were charged for these services for the year ended June 30, 2020.

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 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 that occurred immediately after the launch of the program, NYCEDC contracted to increase the number of vessels in service, and the related annual fuel cap for future years. The cap will increase gradually to reach 6 million gallons by fiscal year 2023. COVID-19 has significantly reduced ridership, prompting reductions to ferry service and related fuel usage. It is not known if, or for how long these conditions will persist. 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).

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)

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.

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. NYCEDC did not purchase any call options during fiscal year 2020.

Additionally, NYCEDC continued to use futures contracts as a hedging vehicle. On June 30, 2020, NYCEDC maintained a position of 356 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, 2020, 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 June 30, 2020	Average Price \$/Barrel
	840,000	20	Jun-22	\$ (264,400)	\$ 54.55
	882,000	21	Dec-22	(257,150)	54.20
	42,000	1	Feb-23	(8,410)	50.53
	42,000	1	Mar-23	(8,130)	50.34
	42,000	1	Apr-23	(7,480)	49.77
	84,000	2	May-23	(14,460)	49.59
	966,000	23	Jun-23	(254,580)	53.53
	126,000	3	Jul-23	(20,590)	49.39

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

Notes to Financial Statements (continued)

Diesel Fuel	Notional Amount- Gallon	Number of Contracts	Maturity Date	Fair Value June 30, 2020	Average Price \$/Gallon
	462,000	11	Aug-20	(362,485)	1.97
	378,000	9	Sep-20	(326,907)	2.07
	378,000	9	Oct-20	(308,595)	2.04
	294,000	7	Nov-20	(236,195)	2.04
	420,000	10	Dec-20	(303,744)	1.98
	420,000	10	Jan-21	(305,420)	1.99
	378,000	9	Feb-21	(295,239)	2.06
	420,000	10	Mar-21	(259,438)	1.90
	462,000	11	Apr-21	(283,307)	1.90
	504,000	12	May-21	(316,000)	1.92
	462,000	11	Jun-21	(301,379)	1.95
	420,000	10	Jul-21	(306,298)	2.04
	504,000	12	Aug-21	(302,791)	1.92
	504,000	12	Sep-21	(290,048)	1.90
	462,000	11	Oct-21	(233,629)	1.84
	462,000	11	Nov-21	(205,766)	1.79
	378,000	9	Dec-21	(168,092)	1.80
	420,000	10	Jan-22	(171,230)	1.78
	252,000	6	Feb-22	(84,256)	1.71
	210,000	5	Mar-22	(72,169)	1.72
	252,000	6	Apr-22	(80,283)	1.70
	294,000	7	May-22	(95,344)	1.70
	336,000	8	Jun-22	(102,816)	1.69
	336,000	8	Jul-22	(100,136)	1.69
	294,000	7	Aug-22	(91,778)	1.72
	294,000	7	Sep-22	(88,742)	1.72
	252,000	6	Oct-22	(72,383)	1.71
	252,000	6	Nov-22	(69,745)	1.71
	210,000	5	Dec-22	(55,562)	1.71
	210,000	5	Jan-23	(56,473)	1.72
	168,000	4	Feb-23	(38,447)	1.69
	126,000	3	Mar-23	(28,917)	1.69
	168,000	4	Apr-23	(41,639)	1.70
	126,000	3	May-23	(30,941)	1.70
	252,000	6	Jun-23	(63,647)	1.70
	168,000	4	Jul-23	(40,816)	1.70
Total Fair Value				\$ (7,025,857)	

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 \$58.5 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 entered into a new lease agreement for its new headquarters effective March 2018 with an expiration date of May 31, 2039 and previously rented office space under a lease agreement which expired in early fiscal year 2020. The future minimum rental commitments as of June 30, 2020, required under the current and new operating leases are as follows (dollars in thousands):

Fiscal year:	
2021	\$ 11,837
2022	11,840
2023	11,846
2024	11,951
2025	12,808
2026 to 2030	66,005
2031 to 2035	71,749
2036 and thereafter	59,868
	<u>\$ 257,904</u>

Accordingly, rent expense for office space amounted to \$13.1 million and \$19.4 million for fiscal years ended June 30, 2020 and 2019, 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, 2020, the Corporation's aggregate commitment for these programs is \$50.0 million, of which \$26 million has been put on hold to reallocate resources due to COVID-19.

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 was scheduled to repay the \$18 million to NYCEDC no later than April 5, 2020. As of June 30, 2020, the parties are preparing a payment agreement and considering Columbia's request for a portion of the repayment to be deferred. 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, 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 third 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 2020 and 2019 are as follows (in thousands):

	Restricted	Unrestricted	Net Investment in Capital Assets	Total
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
Increase in net position	26,565	(24,070)	–	2,495
Capital assets additions	(81,738)	(20,776)	102,514	–
Retirements/depreciation	8,656	8,193	(16,849)	–
Net position, June 30, 2020	\$ 16,500	\$ 226,497	\$ 321,250	\$ 564,247

Required Supplementary Information

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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)

	2020	2019
Total OPEB liability:		
Service cost	\$ 380	\$ 531
Interest	816	704
Changes of benefit terms	900	–
Difference between expected and actual experience	1,440	(206)
Changes in assumptions	(1,177)	(3,180)
Benefit payments	(208)	(201)
Net change in total OPEB liability	2,151	(2,352)
Total OPEB liability – beginning	19,211	21,563
Total OPEB liability – ending (a)	<u>\$ 21,362</u>	<u>\$ 19,211</u>
Total fiduciary net position:		
Net investment income	\$ 2,434	1,195
Administrative expenses paid by the Trust	(36)	–
Benefits and expenses payable	(524)	–
Net change in fiduciary net position	1,874	1,195
Trust fiduciary net position – beginning	21,195	20,000
Trust fiduciary net position – ending (b)	<u>\$ 23,069</u>	<u>\$ 21,195</u>
Corporation’s net OPEB (asset)/liability – end of year (a-b)	<u>\$ (1,707)</u>	<u>\$ (1,984)</u>
Trust fiduciary net position as a percentage of the total OPEB liability	<u>108%</u>	<u>110%</u>

Notes to Schedule:

Changes of assumptions:

Discount rate was changed from 4.19% at June 30, 2019 to 4.15% at June 30, 2020.

Rate of return was changed from 4.40% at June 30, 2019 to 4.60% at June 30, 2020

The base mortality table was updated to the Pub-2010 Above Median Headcount Weighted

General Mortality table and the mortality improvement scale was updated to use MP-2019 at June 30, 2020, from the MP-2018 at June 30, 2019

The Cadillac Tax impact was removed from the valuation as of June 30, 2020

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

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

Schedule of OPEB Contributions (in thousands)

	2020	2019
Actuarially determined contribution	\$ —	\$ —
Contributions in relation to the actuarially determined contribution	—	—
Contribution deficiency (excess)	\$ —	\$ —
Covered-employee payroll	8,405	8,018
Contributions as a percentage of covered-employee payroll	—%	—%

Valuation dates: June 30, 2019. Results were rolled forward to June 30, 2020.

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: Market values

Inflation: 3.0% per annum

Salary increases: 4.25% per annum

Investment rate of return: 4.6% for 2020, 4.40% for 2019

Health care trend rates: 7.4% grading down to an ultimate rate of 4.75% for <65, 6.8% grading down to an ultimate rate of 4.75% for >65

Mortality: Based on the Pub-2010 Above Median Headcount Weighted General Mortality table published by the Society of Actuaries in 2019. The mortality improvement scale was updated to the MP-2019 scale.

Benefit changes: Plan change adopted since the last full valuation which provides survivor coverage for a period of up to 5 years following the death of the retiree.

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

Supplementary Information

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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	Restricted										Total Restricted	Net investment in capital assets	June 30			
		Maritime Fund	NYC Ferry	Adjustment	Total Maritime & NYC Ferry	NYC Ferry Fleet, LLC	Brooklyn Arm	Other Properties	Finance Programs	Capital Programs	Public Purpose & Other Fund			Apple 42nd Street	2020	2019	
Operating revenues:																	
Grants	\$ 180,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 474,722	\$ 2,565	\$ -	\$ 477,287	\$ -	\$ 657,863	\$ 467,458		
Property rentals	46,220	66,713	-	-	66,713	-	22,193	5,337	-	-	57,849	152,092	-	198,312	222,474		
Real estate sales, net	6,674	-	-	-	-	-	-	-	-	-	-	-	-	6,674	9,252		
Ferry related revenues	-	-	12,150	(12,150)	-	-	-	-	-	-	-	-	-	-	-		
Fee income	8,925	54	-	-	54	-	65	4	-	6	82	211	-	9,136	12,333		
Other income	12,599	10,220	1,970	(1,970)	10,220	-	3,412	61	471	2,654	1,993	18,811	-	31,410	34,658		
Other Income - 42nd Street	29,198	-	-	-	-	-	-	-	-	-	(29,198)	(29,198)	-	-	-		
Total operating revenues	284,192	76,987	14,120	(14,120)	76,987	-	25,670	5,402	471	474,722	5,225	30,726	619,203	903,395	746,175		
Operating expenses:																	
Project costs	199,445	-	-	-	-	-	-	-	-	4,208	-	4,208	-	203,653	114,880		
Program costs	-	-	-	-	-	-	-	-	1,080	475,222	-	476,302	-	476,302	372,720		
Property rentals and related operating expenses	13,567	63,103	-	-	63,103	-	14,470	5,879	-	-	5,038	88,490	-	102,057	100,348		
Ferry related expenses	-	-	66,708	(14,120)	52,588	-	-	-	-	-	-	52,588	-	52,588	52,950		
Personnel Services	62,777	6,928	-	-	6,928	-	1,726	167	281	-	891	10,308	-	73,085	66,873		
Contract and other expenses to the City	2,952	-	-	-	-	-	-	10	-	-	25,303	25,313	-	28,265	57,657		
Office rent	13,192	-	-	-	-	-	-	-	-	-	-	-	-	13,192	18,912		
Other general expenses	29,963	1,506	-	-	1,506	6,515	2,171	-	251	679	12	75	11,209	41,172	22,134		
Total operating expenses	321,896	71,537	66,708	(14,120)	124,125	6,515	18,367	6,056	1,612	475,901	5,111	30,731	668,418	990,314	806,474		
Operating income	(37,704)	5,450	(52,588)	-	(47,138)	(6,515)	7,303	(654)	(1,141)	(1,179)	114	(5)	(49,215)	(86,919)	(60,299)		
Nonoperating revenues (expenses)																	
Income (Loss) from Investments	2,977	150	-	-	150	-	-	38	575	-	379	5	1,147	4,124	9,057		
Non-operating income (expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	94		
Total nonoperating revenues (expenses):	2,977	150	-	-	150	-	-	38	575	-	379	5	1,147	4,124	9,151		
Income before transfers	(34,727)	5,600	(52,588)	-	(46,988)	(6,515)	7,303	(616)	(566)	(1,179)	493	-	(48,068)	(82,795)	(51,148)		
Interfund transfers	5,296	(5,600)	5,600	-	-	-	(5,314)	-	-	-	18	-	(5,296)	-	-		
Change in net position before capital contributions	(29,431)	-	(46,988)	-	(46,988)	(6,515)	1,989	(616)	(566)	(1,179)	511	-	(53,364)	(82,795)	(51,148)		
Capital contribution	5,361	-	-	-	-	95,116	-	-	-	(15,187)	-	-	79,929	85,290	164,651		
Change in net position	(24,070)	-	(46,988)	-	(46,988)	88,601	1,989	(616)	(566)	(16,366)	511	-	26,565	2,495	113,503		
Total net position, beginning of year	263,150	3,982	(32,653)	-	(28,671)	-	500	2,218	54,835	3,512	30,623	-	63,017	235,585	561,752	448,249	
Subtotal net position, end of year	239,080	3,982	(79,641)	-	(75,659)	88,601	2,489	1,602	54,269	(12,854)	31,134	-	89,582	235,585	\$564,247	561,752	
(Addition)/Disposal of invested capital	(12,583)	(31)	1,673	-	1,642	(88,601)	(1,989)	-	-	15,866	-	-	(73,082)	85,665	-	-	
Total net position, end of year	\$ 226,497	\$ 3,951	\$ (77,968)	\$ -	\$ (74,017)	\$ -	\$ 500	\$ 1,602	\$ 54,269	\$ 3,012	\$ 31,134	\$ -	\$ 16,500	\$ 321,250	\$ 564,247	\$ 561,752	

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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 *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, 2020, 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 _____, 2020.

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.

September __, 2020

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ANNUAL INVESTMENT REPORT
Board of Directors Meeting
September 30, 2020

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, 2020; 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
Amy Chan, Senior Vice President and Assistant Treasurer

**NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
ANNUAL INVESTMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020, 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, 2020 by Ernst & Young LLP.

Investment Income Record

Investment income from interest earned on bank accounts, certificates of deposit and securities was approximately \$4.1 million for the fiscal year ended June 30, 2020.

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, 2020 and 2019
With Report of Independent Auditors

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

Schedule of Investments

Years Ended June 30, 2020 and 2019

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>	8

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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, 2020 and 2019, 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, 2020 and 2019, in conformity with U.S. generally accepted accounting principles.

Report on the Financial Statements as of June 30, 2020 and 2019

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, 2020 and 2019, and our report thereon dated September __, 2020, 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 __, 2020, 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 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 with respect to the Schedule of Investments.

September __, 2020

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

Schedule of Investments
(In Thousands of Dollars)

	June 30	
	2020	2019
Operating	\$ 58,005	\$ 132,674
Restricted	135,279	156,847
Total investments	<u>\$ 193,284</u>	<u>\$ 289,521</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, 2020

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. 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 restricted assets 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 base rent payments 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 Schedule of Investments (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.

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.

2. Summary of Significant Accounting Policies

Investments

Investments held by NYCEDC are recorded at fair 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.

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, 2020 and 2019, the Corporation had the following investments. Investments maturities are shown for June 30, 2020, only (in thousands).

	Fair Value		Investment Maturities at June 30, 2020 in Years	
	2020	2019	Less than 1	1 to 7
Money market mutual funds	\$ 140,260	\$ 130,854	\$ 140,260	\$ –
Money market deposit account	5,251	5,256	5,251	–
FHLB notes	5,630	31,256	5,630	–
FHLMC notes	1,044	11,737	–	1,044
Commercial paper	7,995	33,507	7,995	–
FFCB notes	–	20,454	–	–
FNMA notes	2,026	5,516	2,026	–
US Treasuries	30,878	50,741	30,878	–
Certificates of deposit	200	200	200	–
	193,284	289,521	\$ 192,240	\$ 1,044

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. Securities of U.S. Agencies 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.

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

Notes to Schedule of Investments (continued)

3. Investments (continued)

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, 2020, the Corporation’s investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and U.S. Treasuries 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, 2020, 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, 2020 and 2019 (dollars in thousands).

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2020		June 30, 2019	
U.S. Treasuries	\$ 30,878	15.98%	\$ 50,741	17.53%
Federal Home Loan Bank	–	–	31,256	10.80
Federal Farm Credit Bank	–	–	20,454	7.06

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, 2020, and the related notes to the Schedule of Investments, and have issued our report thereon dated September __, 2020.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYCEDC’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 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 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.

September __, 2020