AUDIT COMMITTEE MEETING

NEW YORK CITY
ECONOMIC DEVELOPMENT CORPORATION

Monday, September 27, 2021 - 1:00 p.m.

NYC / EDC

NOTICE OF THE AUDIT COMMITTEE MEETING OF

NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION

September 27, 2021

A special meeting of the Audit Committee of the Board of Directors of New York City Economic Development Corporation, called at the direction of the President, will be held at 1:00 p.m. on Monday, September 27, 2021 at New York City Economic Development Corporation, One Liberty Plaza, Conference Room 14A (The Battery), New York, New York 10006.

The agenda for the meeting is as follows:

I. Approval of the Minutes of the May 19, 2021 Audit Committee Meeting

II. Annual Financial Statements and Investment Report

- Management Discussion
- Ernst & Young LLP Update

III. Internal Audit Update

IV. Session with External Auditors (as necessary)

V. Session with Internal Audit Management (as necessary)

VI. Session with Management (as necessary)

VII. Such other business as may properly come before the Committee

New York, New York

Dated: 9-10-21

Mark Silversmith
Mark Silversmith (Sep 10, 2021 15:35 EDT)

Approval of the Minutes of the May 19, 2021 Audit Committee Meeting

MINUTES OF MEETING OF THE AUDIT COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
May 19, 2021

A special meeting of the Audit Committee (the "Committee") of New York City Economic Development Corporation (the "Corporation" or "NYCEDC") was held virtually on Wednesday, May 19, 2021.

The following members of the Committee were present by means of a conference call at the above indicated meeting of the Committee (the "Meeting"), constituting a quorum:

- William Candelaria, Committee Chairperson
- James McSpiritt
- Betty Woo

The following members of NYCEDC staff were present by means of a conference call:

- Finance:
  - Fred D'Ascoli – CFO
  - Spencer Hobson – EVP/Treasurer
  - Leslie Escobar – Deputy Controller
- Internal Audit:
  - Jennie Wallace – EVP
  - Tony Khoury – VP
- Legal:
  - Mark Silversmith – Special Counsel

Also present were representatives from Ernst & Young LLP ("EY"):

- Kimberly Hancy – Partner
- Erin Montgomery – Senior Manager
- Adam Wolken – Manager

The meeting was called to order at 9:04 a.m.

1. **Approval of the Minutes of the January 27, 2021 Audit Committee meeting**

Mr. Candelaria asked if there were any questions or comments related to the minutes of the January 27, 2021 Committee meeting as submitted. There being no questions or comments, Mr. McSpiritt motioned to approve the minutes. Ms. Woo seconded the motion and the minutes were approved.

2. **Approval of FY2022 Audit Committee meeting dates**

Mr. Candelaria asked if there were any questions or comments related to the proposed FY2022 Audit Committee meeting dates- {9-28-21, 1-27-22, 5-19-22}. There being no questions or comments, Mr. McSpiritt motioned to approve the dates. Ms. Woo seconded the motion and the dates were approved.

3. **Finance Update**

Mr. D'Ascoli noted that the FY2022 NYCEDC budget will be presented at next month's Board meeting.

4. **Ernst & Young Update**

Ms. Hancy introduced Ms. Montgomery, the new senior manager for NYCEDC's audit, and Mr. Wolken, the new manager on the engagement. Next, Ms. Montgomery and Mr. Wolken described their audit background to the Committee.

Ms. Hancy highlighted the FY2021 Audit Plan:

- Financial statements of the Corporation
- Schedule of investments of NYCEDC
- Financial statements of the NYCEDC OPEB Trust

Ms. Hancy stated that in accordance with Government Auditing Standards, EY will test for any significant deficiencies or material weaknesses in internal controls over financial reporting. She noted that EY will issue written communication to Management and the Committee and issue a Management letter, if needed, including recommendations for improvements in controls and procedures. Ms. Hancy noted that a Management Letter was not required following last year's audit cycle.

Ms. Hancy discussed the NYCEDC FY2021 Audit Plan and summarized EY's deliverables and services that are consistent with prior years. Ms. Hancy detailed the areas of audit emphasis and the summary of planned audit procedures.

Ms. Montgomery highlighted the upcoming Government Auditing Standards Board ("GASB") pronouncements, GASB Statement No. 84, Fiduciary Activities, GASB Statement No. 87, Leases and GASB Statement No. 90, Majority Equity Interests. Mr. McSpiritt asked if GASB 84 is in effect for FY2021 or for FY2022. Ms. Montgomery mentioned that GASB 84 will show changes to the financial statements in FY2021. Ms. Montgomery explained that each fiduciary fund activity would have a separate column on the financial statements. Ms. Escobar further explained that Finance and EY are in the process of analyzing different fiduciary funds and it would be recorded on a different page in the financial statements. Mr. D'Ascoli and Ms. Hancy assured Mr. McSpiritt that that this information would be shared with the Committee before being presented to the Board.

Ms. Montgomery then mentioned GASB 90. Mr. McSpiritt asked if GASB 90 will be effective for FY2021 and will this effect NYCEDC's accounting statements. Ms. Hancy stated that GASB 90 will have no material impact on the financial statements; however, management wanted to highlight the statement because it comes into effect for the current year.

Ms. Hancy stated that EY started working remotely on the NYCEDC interim procedures. She noted that they will return in late July and August to execute the year-end audit testing procedures, and then in September to report on the audit results.

Internal Audit Activity Update

Ms. Wallace presented the agenda for the Internal Audit update and then provided an update on the FY2021 Audit Plan, highlighting the audits deferred due to the pandemic.

Ms. Wallace then spoke about the open issues to date, highlighting that the issues are not yet due or have updated due dates.

Ms. Wallace then discussed the FY2022 Audit Plan Status to date and noted that there are a total of ten projects on the FY2022 Audit Plan.

Mr. Candelaria asked if there were any questions or comments related to the FY2022 proposed Audit Plan. There being no questions or comments, Mr. McSpiritt motioned to approve the FY2022 proposed Audit Plan. Ms. Woo seconded the motion and the motion was approved.

Mr. Khoury then gave an update on the activities performed by the Engineering Audit Unit ("EAU"), including the number of change orders reviewed and other metrics. He then updated the Committee on the status of FY2021 construction audits.

5. **Session with External Auditors**

A private session with EY was held by the Committee.

6. **Session with Internal Audit**

A private session with Internal Audit was held by the Committee.

7. Session with Management

A private session with Management was held by the Committee.

8. Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 2:50 p.m.

Finance Update

Fred D'Ascoli, CFO

Spencer Hobson, EVP

Amy Chan, Controller

Leslie Escobar, Deputy Controller

Financial Statements, Required Supplementary Information, and Supplementary Information

New York City Economic Development Corporation
(A Component Unit of the City of New York)
Year Ended June 30, 2021
With Report of Independent Auditors

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

Financial Statements, Required Supplementary Information, and Supplementary Information

Year Ended June 30, 2021

Contents

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 the business-type activities and fiduciary activities of the New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise 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 opinions on these financial statements based on our audit. We conducted our audit 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of NYCEDC as of June 30, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof for the year 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, the schedule of changes in net OPEB liability, the schedule of investment returns and the schedule of OPEB contributions, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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 __, 2021, 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. 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.

________, 2021

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 year ended June 30, 2021. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2021 Financial Highlights

Net Position was $546 million at June 30, 2021

- Cash, cash equivalents and investments increased $47 million (or 13%)
- Due from the City, net, decreased $65 million (or 42%)
- Capital assets, net, decreased $9 million (or 3%)
- Tenant receivables, net of allowance for uncollectible amounts increased $14 million (or 23%)
- Accounts payable and accrued expenses decreased $19 million (or 8%)
- Unearned revenue increased $9 million (or 6%)
- Retainage payable increased $18 million (or 34%)

Change in Net Position is $(18) million for the year ended June 30, 2021

- Grant revenues decreased $5 million (or 1%)
- Other income increased $23 million (or 73%)
- Project costs and program costs decreased $17 million (or 3%)
- Property rentals and related operating expenses decreased $16 million (or 15%)
- Other general expenses increased $15 million (or 36%)
- Capital contributions decreased $77 million (or 91%)
- Net operating loss is $26 million, offset by capital contributions of $8 million

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, 2021 and 2020 (dollars in thousands) and the percentage changes between June 30, 2021 and 2020:

	2021	2020	% Change 2021–2020
Current assets	**$ 526,794**	$ 616,134	(15)%
Non-current assets	**698,502**	619,366	13%
Total assets	**1,225,296**	1,235,500	(1)%
Deferred outflows of resources	**2,961**	8,231	(64)%
Current liabilities	**279,131**	302,760	(8)%
Non-current liabilities	**394,098**	372,027	6%
Total liabilities	**673,229**	674,787	–%
Deferred inflows of resources	**8,564**	4,697	82%
Net position:			
Restricted	**87,647**	90,517	(101)%
Unrestricted	**146,405**	152,480	3%
Net investment in capital assets	**312,412**	321,250	(3)%
Total net position	**$ 546,464**	$ 564,247	(3)%

Financial Analysis of the Corporation (continued)

The Corporation's total assets decreased $10.2 million or 1% during fiscal year 2021. The net decrease in Due from/to the City of $65.2 million is primarily a result of: $58.6 million of receivables related to prior year vessel acquisitions and $43.2 million of receivables related to the prior year purchase of goods and services in response to COVID-19 being paid in the current year. These decreases were offset by an increase in receivables of $12.3 million as well as receivable of retainage payable of $17.6 million related to infrastructure and resiliency improvements at New York City Health and Hospital Corporation's Coney Island Hospital. The Corporation realized a net decrease of $8.8 million in capital assets, primarily due to depreciation and amortization of $17.6 million, offset by $8.8 million of additions, primarily made up of $6.1 million vessel acquisition costs for the operation of NYC Ferry. Tenant receivables, net of the allowance for uncollectible amounts, increased $13.7 million primarily due to the outstanding amounts on $5.8 million of prior year COVID deferrals rebilled in the current year and $3.8 million of additional receivables for reimbursable remediation work performed at Hunts Point Site D. The decrease in assets were offset by an increase in cash, cash equivalents, and investments of $47.2 million largely due to the aforementioned payments on receivables Due from the City.

The Corporation's total liabilities remained consistent with prior year and decreased $1.6 million. Accounts payable and accrued expenses decreased by $19.4 million due to the wind down of certain projects and decreased activity related to the procurement of goods and services in response to COVID-19 as compared to prior year. Other current liabilities decreased by $7.4 million primarily due to the unrealized gain recognized on the Corporation's commodity futures contracts related to fuel hedging activity. These decreases were offset by the increase in retainage payable of $17.6 million largely due to projects for Coney Island Hospital and NYC Green Infrastructure. Furthermore, the increase in unearned revenues of $9.1 million is primarily due to $12 million of funds received from the City from its sale of property at West 125th Street to be used for future maintenance costs.

The Corporation's overall net position during fiscal year 2021 decreased $17.8 million or 3% as a result of the fiscal year operating activities. This decrease consisted of a $8.9 million decrease in net investment in capital assets, $2.9 million decrease in restricted net position and $6.1 million decrease in unrestricted net position.

Financial Analysis of the Corporation (continued)

Operating Activities

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

The following table summarizes NYCEDC's change in net position for the fiscal years ended June 30, 2021 and 2020 (dollars in thousands) and the percentage changes between fiscal year 2021 and 2020:

	2021	2020	% Change 2021–2020
Operating revenues:			
Grants	**$ 652,456**	$ 657,863	(1)%
Real estate sales, property rentals	**202,292**	204,986	(1)%
Fees and other income	**67,550**	40,546	67%
Total operating revenues	**922,298**	903,395	2%
Operating expenses:			
Project and program costs	**662,592**	679,955	(3)%
Property rental expenses	**86,397**	102,057	(15)%
Ferry related expenses, net	**32,518**	52,588	(38)%
Personnel services	**70,195**	73,085	(4)%
Contract expenses to the City	**28,767**	28,265	2%
Office rent and other expenses	**67,750**	54,364	25%
Total operating expenses	**948,219**	990,314	(4)%
Operating loss	**(25,921)**	(86,919)	(70)%
Total non-operating income	**77**	4,124	(98)%
Change in net position before capital contributions	**(25,844)**	(82,795)	(69)%
Capital contribution	**8,061**	85,290	(91)%
Change in net position	**(17,783)**	2,495	(813)%
Total net position, beginning of year	**564,247**	561,752	0%
Total net position, end of year	**$ 546,464**	$ 564,247	(3)%

Financial Analysis of the Corporation (continued)

During fiscal year 2021, operating revenues increased $18.9 million or 2%. The increase in operating revenues is largely due to the increase in other income of $22.8 million related to remediation work performed at Hunts Point Site D, offset by a decrease in reimbursable grants of $5.4 million.

Operating expenses during fiscal year 2021 decreased $42.1 million or 4%. The decrease in project costs of $90.6 million is primarily due to the decrease in reimbursable COVID-19 response expenses of $96.7 million, offset by an increase of $14.6 million incurred for the Queens Small Business Grant Program, which provided grant funding to small businesses impacted by COVID-19 in the area. Program costs increased $73.3 million primarily due to an increase in reimbursable expenses for Coney Island Hospital, NYC Green Infrastructure, the American Museum of Natural History, Manhattan Waterfront Greenway, and Hudson Park and Boulevard.

The decrease of $35.7 million in ferry related expenses and property rentals and related operating expenses is primarily due to pandemic driven continued disruption in ferry services and suspension of cruise operations. Additionally, there was decreased spending related to maintenance of rental properties. Other general expenses increased $14.8 million largely due to an increase in tenant bad debt expense of $17.6 million, offset by a pandemic driven decrease of other general and administration expenses of $6.2 million. Accordingly, the operating loss decreased by $61.0 million as compared to fiscal year 2020 with the Corporation recognizing a net operating loss of $25.9 million during fiscal year 2021.

Non-Operating Activities

Total non-operating revenues for fiscal year 2021 was $0.1 million. Primarily as a result of market conditions, the fiscal year 2021 total was a $4.0 million reduction from fiscal year 2020.

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 2021, NYCEDC recognized $8.1 million of capital contributions, primarily made up of $6.1 million for vessel acquisitions for the NYC Ferry system. As of June 30, 2021, the Corporation has completed its vessel acquisition plan and there are no plans or commitments for additional vessel purchases.

Net Position

The Corporation's net operating loss for the fiscal year of $25.9 million has been offset by capital contributions of $8.1 million. As a result, the Corporation recognized a decrease in net position of $17.8 million during fiscal year 2021. This constitutes a decrease of $20.3 million or 813% as compared with the change in fiscal year 2020.

Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2021 and 2020 (dollars in thousands) and the percentage change between June 30, 2021 and 2020:

	2021	**2020**	**% Change 2021–2020**
Leasehold improvements	**$ 84,253**	$ 84,253	0%
Equipment and computer software	**20,180**	19,894	1%
Vessels	**239,045**	227,424	5%
Work-in progress – vessels	**–**	5,567	(100)%
Work-in progress – other	**13,912**	11,534	21%
	357,390	348,672	3%
Less accumulated depreciation and amortization	**(44,978)**	(27,422)	64%
Net capital assets	**$ 312,412**	$ 321,250	(3)%

Financial Analysis of the Corporation (continued)

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

Contacting NYCEDC's Financial Management

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

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

Statements of Net Position (In Thousands)

June 30, 2021

Assets	
Current assets:	
Cash and cash equivalents – current	$ 36,618
Restricted cash and cash equivalents – current	117,643
Unrestricted investments	30,670
Restricted investments	7,279
Current portion of loans and mortgage notes receivable	7,138
Due from the City, including $203,760 under contracts with the City	232,454
Tenant receivables, net of allowance for uncollectible amounts of $54,083	73,350
Prepaid expenses and other current assets	4,461
Other receivables	17,181
Total current assets	526,794
Non-current assets:	
Restricted cash and cash equivalents	138,153
Unrestricted investments	40,807
Restricted investments	47,840
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of $10,912)	16,008
Capital assets, net	312,412
Land held for development, at cost	132,387
Other assets	10,895
Total non-current assets	698,502
Total assets	1,225,296
Deferred outflows of resources	
Deferred outflows of resources related to OPEB	2,961
Total deferred outflows of resources	2,961
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses, including $140,529 under contracts with the City	219,346
Deposits received on pending sales of real estate	8,751
Due to the City: real estate obligations and other	15,690
Unearned revenue	32,686
Other liabilities	2,658
Total current liabilities	279,131
Non-current liabilities:	
Tenant security and escrow deposits payable	42,495
Obligation for OPEB	681
Due to the City: real estate obligations	125,021
Unearned revenue, including unearned grant revenue of $26,240 under contracts with the City	138,967
Retainage payable	69,582
Other liabilities	17,352
Total non-current liabilities	394,098
Total liabilities	673,229
Deferred inflows of resources	
Deferred inflows of resources related to OPEB	3,780
Accumulated increase in fair value of hedging derivatives	4,784
Total deferred inflows of resources	8,564
Net position:	
Restricted by law or under various agreements	87,647
Unrestricted	146,405
Net investment in capital assets	312,412
Total net position	$ 546,464

See accompanying notes.

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, 2021

Operating revenues:	
Grants	$ 652,456
Property rentals	197,292
Real estate sales, net	5,000
Fee income	13,253
Other income	54,297
Total operating revenues	922,298
Operating expenses:	
Project costs	113,033
Program costs	549,559
Property rentals and related operating expenses	86,397
Ferry related expenses, net	32,518
Personnel services	70,195
Contract and other expenses to the City	28,767
Office rent	11,756
Other general expenses	55,994
Total operating expenses	948,219
Operating loss	(25,921)
Non-operating revenues:	
Income from investments	77
Other non-operating income	–
Total non-operating revenues, net	77
Change in net position before capital contribution	(25,844)
Capital contribution	8,061
Change in net position	(17,783)
Net position, beginning of year	564,247
Net position, end of year	$ 546,464

See accompanying notes.

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, 2021

Cash flows from operating activities	
Real estate sales	$ 5,000
Property rentals	196,701
Grants from the City	636,890
Fee income	13,244
Other income	60,513
Project costs	(150,789)
Program costs	(497,113)
Property rentals and related operating expenses	(98,731)
Ferry expenses	(31,067)
Personnel services	(72,583)
Office rent	(11,756)
Contract and other expenses to the City	(28,767)
Other general and administrative expenses	(39,385)
Repayments of loans and mortgage receivable	465
Tenant security and escrow deposits	(1,555)
Other	7,488
Net cash used in operating activities	(11,445)
Cash flows from capital and related financing activities	
Purchase of capital assets	(20,022)
Capital contribution	78,585
Net cash provided by capital and related financing activities	58,563
Cash flows from investing activities	
Sale of investments	115,240
Purchase of investments	(194,063)
Interest income	77
Net cash used in investing activities	(78,746)
Net decrease in cash and cash equivalents	(31,628)
Cash and cash equivalents, beginning of year	324,042
Cash and cash equivalents, end of year	$ 292,414

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

Statements of Cash Flow (In Thousands) (continued)

Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (25,921)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	17,556
Straight-line revenue	(3,897)
Provision for COVID-19	(5,761)
Provision for bad debts	30,615
Amortization of unearned revenues and prepaid expenses	(7,290)
Changes in operating assets, liabilities and deferred inflow/outflow of resources:	
Due to/from the City	(5,292)
Other non-current assets	(3,788)
Tenant receivables	(31,574)
Prepaid expenses and other receivables	3,117
Loans and mortgage notes receivable	(1,836)
Tenant security and escrow deposits payable	(1,555)
Accounts payable and accrued expenses	(8,126)
Deposits received on pending sales of real estate	(400)
Net OPEB liability	2,388
Unearned grant revenue	15,981
Deferred inflows of resources	(2,674)
Retainage payable	17,579
Other current liabilities	(517)
Other non-current liabilities	(50)
Net cash used in operating activities	$ (11,445)
Supplemental disclosures of non-cash activities	
Unrealized gain on investments	$ (108)

See accompanying notes.

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

Statements of Fiduciary Net Position (In Thousands)

OPEB Trust Year Ended June 30, 2021

Assets	
Cash and cash equivalents	$ 324
Investments	
Mutual funds	23,803
Total investments	23,803
Total assets	24,127
Liabilities	
Accrued expenses	44
Due to NYCEDC	148
Total liabilities	192
Net position – restricted for OPEB	$ 23,935

See accompanying notes.

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

Statements of Changes in Fiduciary Net Position (In Thousands)

OPEB Trust Year Ended June 30, 2021

Additions		
Investment income:		
Interest and dividends	$	673
Net increase in fair value of investments		621
Net investment income		1,294
Total additions		1,294
Deductions		
Benefit payments		330
Administrative expenses		98
Total deductions		428
Net increase in fiduciary net position		866
Net position – restricted for OPEB		
Beginning of year		23,069
End of year	$	23,935

See accompanying notes.

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) and its blended component units (Note 17).

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.

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).

Upcoming Accounting 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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

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

2. Summary of Significant Accounting Policies (continued)

(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 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 has evaluated the impact of this standard in conjunction with the adoption of GASB Statement No. 84. This statement is not anticipated to have a significant impact on the Corporation's financial statements.

Impact of New Accountings Standard Adopted

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), 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 adoption of this standard as of July 1, 2020 resulted in the reporting of the Corporation's other post-employment benefits trust fund as a fiduciary activity. The

2. Summary of Significant Accounting Policies (continued)

cumulative effect of adopting GASB 84 was the establishment of beginning net position of $21.2 million restricted for other-post employment benefits other than pension. Prior to the adoption of GASB 84, the OPEB trust fund was not required to be reported in the Corporation's financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. With the adoption of GASB 95, provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The adoption of this standard did not have an impact on the Corporation's financial statements as the Corporation does not own majority equity interest in a legally separate organization that meets the definition of an investment.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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 2021, NYCEDC recognized $8.1 million of capital contributions, primarily made up of $6.1 million for vessel acquisitions for the NYC Ferry system.

Fiduciary Fund Statements

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position provide information on the Corporation's fiduciary activities in its Other Post-Employment Benefits (OPEB) Trust Fund. The OPEB Trust Fund reports resources that are required to be held in trust for members and beneficiaries of the Corporation's OPEB plan.

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.

3. Contracts With the City of New York

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.

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.

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 $3.4 million from its unrestricted net position in fiscal year 2021, which is accounted for under contract and other expenses to the City in the statements of revenues, expenses and changes in net position.

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

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.

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

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 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 amount remitted from this source for fiscal year 2021 was $25.4 million (Note 14).

4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2021, grant revenue was $652.5 million, of which $585.2 million comprised of reimbursement grants from and through the City, and the remaining $67.2 million was provided by other sources.

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

NYCEDC may purchase land to help achieve the City's and NYCEDC's redevelopment goals. In fiscal year 2021, the land held for development totaled $132.4 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, 2021, real estate obligations due to the City was $125.0 million.

The following table summarizes land held for development and real estate obligations due to the City for the fiscal year ended June 30, 2021 (dollars in thousands):

225 125th Street, B1790, L12	$ 1,972
2309-2313 3rd Avenue, B1790, L3, 49	858
236 East 126th Street, B1790 L31	183
246 E. 127th Street, B1791, L25	4,300
Springfield Gardens, Queens, B13432, L57	54
Land held for development	7,367
Boardwalk, Coney Island	105,345
1047 Home Street, Bronx, B3006, L21	800
1051 Home Street, Bronx, B3006, L19	1,200
1057 Home Street, Bronx, B3006, L17	500
1174 Longfellow Avenue, Bronx, B2758, L14	4,000
3050 W. 21st Street, Brooklyn, B7071, L123	13,175
Due to the City: real estate obligations	125,020
Total land held for development	$ 132,387

6. Other Income

The following table summarizes other income for the fiscal year ended June 30, 2021 (dollars in thousands):

Tenant reimbursements	$ 10,483
Developer contributions	2,331
Service agreements	759
Interest income from loans	585
Loan/bad debt recovery income	1,438
Other third party reimbursements	28,718
Tenant liquidated damages	1,955
138 Willoughby LLC	2,138
Other miscellaneous income	5,890
Total	$ 54,297

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, 2021, these mortgage notes totaled $7.6 million 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, 2021, the loan and mortgage notes portfolio consisted of 15 loans that bear interest at rates ranging from 0% to 8% and mature at various dates through October 1, 2046.

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):

	Principal Maturity	Interest
Fiscal Year:		
2022	$ 7,138	$ 403
2023	629	345
2024	522	338
2025	440	463
2026	392	325
2027–2031	12,071	1,514
2032–2036	5,976	1,287
2037–2041	4,753	703
2042–2046	1,992	158
2047–2048	145	–
	34,058	5,536
Allowance for uncollectible amounts	(10,912)	
Loans and mortgage notes receivable, net	$ 23,146	

The seven largest loans in fiscal year 2021 represent approximately 97% of the loan portfolio balance. The composition of the entire portfolio, by industry type, at June 30, 2021, was as follows: real estate development 22% and other services 78%.

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, 2021 amounted to $16 million.

Pursuant to the Master Contract with the City, NYCEDC recorded total grants from and through the City in the amount of $585.2 million during fiscal year 2021, of which $203.8 million in capital funds were unpaid by the City. 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 year ending June 30, 2021, consisted of the following (dollars in thousands):

	June 30, 2020	Additions/ Depreciation	Disposals	June 30, 2021
Equipment	$ 17,384	**$ 286**	**$ –**	**$ 17,670**
Leasehold improvements	84,253	**–**	**–**	**84,253**
Vessels	227,424	**11,621**	**–**	**239,045**
Computer software	2,510	**–**	**–**	**2,510**
Work-in-progress – vessels	5,567	**(5,567)**	**–**	**–**
Work-in-progress – other	11,534	**2,378**	**–**	**13,912**
Capital assets	348,672	**8,718**	**–**	**357,390**
Less: Accumulated depreciation/amortization	(27,422)	**(17,556)**	**–**	**(44,978)**
Capital assets, net	$ 321,250	**$ (8,838)**	**$ –**	**$ 312,412**

Depreciation and amortization of capital assets and obligations for the fiscal year ended June 30, 2021 was $17.6 million.

10. Deposits and Investments

Deposits

At year-end, NYCEDC's cash and cash equivalents bank balance was $292.4 million, of which $13.5 million was FDIC insured. Of the remaining balance, $118.7 million was invested in money market funds. Emergency funds on hand amounted to $10,000 at June 30, 2021.

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.

10. Deposits and Investments (continued)

As of June 30, the Corporation had the following investments. Investments maturities are shown for June 30, 2021, only (in thousands):

	Fair Value	Investment Maturities at June 30, 2021, in Years		
	2021	Less Than 1	1 to 2	Greater than 2
Money market mutual funds	$ 113,477	$ 113,477	$ –	$ –
Money market deposit account	5,250	5,250	–	–
FHLB notes	40,005	10,004	–	30,001
FHLMC notes	1,023	1,023	–	–
Commercial paper	19,490	19,490	–	–
FFCB notes	58,647	–	37,958	20,689
U.S. Treasuries	7,229	7,229	–	–
Certificates of deposit	201	201	–	–
	245,322	$ 156,674	$ 37,958	$ 50,690
Less amount classified as cash equivalents	(118,726)			
Total investments	$ 126,596			

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. U.S. Treasury and Agency securities and commercial paper, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

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

10. Deposits and 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, 2021, the Corporation's investments in Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), 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, 2021, 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, 2021 (dollars in thousands):

	Dollar Amount and Percentage of Total Investments	
Issuer	**June 30, 2021**	
Federal Farm Credit Bank	$58,647	23.9%
Federal Home Loan Bank	40,005	16.3

10. Deposits and Investments (continued)

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 $0.1 million for the fiscal year ended June 30, 2021.

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 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.

The future minimum rental income as of June 30, 2021, 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
2022	$ 21,359	$ 44,162	$ 36,795	$ 19,877	$ 809	$ 123,002
2023	18,276	43,423	35,952	19,877	723	118,251
2024	16,044	43,309	34,161	19,877	723	114,114
2025	14,094	42,858	33,223	19,878	722	110,775
2026	11,539	42,581	32,265	19,877	597	106,859
2027–2031	40,555	210,554	121,345	99,388	1,779	473,621
2032–2036	5,828	208,974	65,950	99,388	–	380,140
2037–2041	4,148	206,089	45,076	99,388	–	354,701
2042–2046	4,148	201,806	35,453	97,644	–	339,051
2047–2051	4,148	199,469	35,453	94,405	–	333,475
Thereafter	2,143	1,398,084	48,025	720,095	–	2,168,347
Total	$ 142,282	$ 2,641,309	$ 523,698	$ 1,309,694	$ 5,353	$ 4,622,336

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

The thereafter category includes 38 leases with expiration dates between July 1, 2051 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 currently made up of five routes and a seasonal shuttle that were designed to meet the transportation needs of neighborhoods traditionally underserved by public transportation. HNY assumed operational responsibility for the then-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, 2021 was $32.5 million. To partially offset the costs to NYCEDC for establishing and operating the ferry system, NYCEDC was not required to remit to the City $16.7 million under the Maritime Contract or commercial rents received from the 42nd Street Development Project (Notes 3 and 14).

13. Future Tenant Receivables

Pursuant to the ground leases with 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 $28.8 million, of which $16.3 million is for Jay Street (One Metrotech Center), $3.6 million is for Bridge Street (Two Metrotech Center), $5.1 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 4 years to 16 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.

14. 42nd Street Development Project (continued)

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 is required to continue to pass through to the City all payments in lieu of taxes and real estate taxes collected from the Project.

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 year ended June 30, 2021 amounted to $6.0 million 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

16. Postemployment Benefits Other Than Pensions (continued)

employees who started working prior to January 1, 2011, with (a) at least 10 years of service as of that date, or (b) who will be age 60 or older by June 30, 2023 and will have at least 10 years of service by the time they retire.

Benefit provisions and contribution requirements for the plan are administered and managed by 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 presented in the Corporation's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

Employees Covered by Benefit Terms. At June 30, 2021, the following employees were covered by the benefit terms:

	2021
Active employees	60
Inactive employees and/or beneficiaries currently receiving benefit payments	39
Future retirees and beneficiaries not currently receiving benefit payments	6
Total participants	105

For fiscal year 2021, benefit payments amounting to approximately $181,000 was paid by NYCEDC and will be reimbursed by the Trust in the following year from net position available for plan benefits.

16. Postemployment Benefits Other Than Pensions (continued)

Contributions. NYCEDC has the right to establish and amend the contribution requirements. For the year ended June 30, 2021, 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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions. The total OPEB liability in the June 30, 2021, 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	2020 – 4.6% per annum, compounded annually 2021 – 4.04% 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-2020 scale.

Long-Term Expected Rate of Return: 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.

16. Postemployment Benefits Other Than Pensions (continued)

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.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.34% at June 30, 2021. 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.

Investments

Investment Policy: The Trust's investments are made in accordance with the provisions of the Trust's Investment Policy (the Investment Policy). The goals of the Investment Policy are to invest for the sole purpose of funding the OPEB Plan obligation of the Corporation 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.

The Trust has retained an investment consultant to ensure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The investment policy was adopted in April 2019. The Trust is currently invested in the following securities within the current investment policy limitations.

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

16. Postemployment Benefits Other Than Pensions (continued)

The investment policy limits the Trust from investing no more than five percent of the total portfolio in the common stock of any one corporation. The Trust may not hold more than five percent of the outstanding shares of any one company. Fixed-income securities of any one issuer shall not exceed five percent of the total fixed income portfolio at the time of purchase if held in a separate account. Holdings of any individual issue, other than issues of the United States government, may not exceed five percent of the value of the total issue. Commingled investment vehicles such as mutual funds or common trust or collective investment funds will be evaluated based on their diversification characteristics as presented in their investment strategy and discipline.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

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

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

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

The following summarizes the Trust's investments by type held at June 30, 2021 (in thousands):

			June 30, 2021		
Investment Type	**Level**	**Fair Value**	**Investments Less than 1 Year**	**Maturities 1-5 Years**	**Maturities 6-10 Years**
Investments by fair value level					
Money market fund	1	$ 324	$ 324	$ –	$ –
Mutual funds	1	23,803	23,803	–	–
Total investments by fair value level		24,127	$ 24,127	$ –	$ –
Less amounts reported as cash equivalents per the financial statements		(324)			
Total investments per the financial statements		$ 23,803			

16. Postemployment Benefits Other Than Pensions (continued)

The following discusses the Trust's exposure to common deposit and investment risks related to custodial credit, credit, concentration of credit, interest rate and foreign currency risks as of June 30, 2021.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the Trust's deposits may not be returned. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Trust and are held by either the depository financial institution or the depository financial institution's trust department or agent but not in the Trust's name.

The Trust manages custodial credit risk by limiting its investments to highly rated institutions and/or require that high-quality collateral be held by the counterparty in the name of the Corporation.

Credit Risk: Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Trust has an investment policy regarding the management of Credit Risk, as outlined above. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

At June 30, 2021, the Trust did not have any investment in debt securities.

Concentration of credit risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Trust's investment in a single issuer. Investments of Trust assets are diversified in accordance with the Corporation's investment policy that defines guidelines for the investment holdings. The asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy and the securities markets. At June 30, 2020, no more than 5% of the Trust's investments were in a single issuer.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Within cash portions of the portfolio it is managed using the effective duration methodology. This methodology is widely used in the management of cash and fixed income portfolios in that it quantifies with greater precision the amount of risk due to interest rate changes. Interest rate risk is managed by investing in mutual funds that limit risk by diversifying holdings and purchasing companies of lower risk.

16. Postemployment Benefits Other Than Pensions (continued)

Rate of return: As required by GASB Statement 74, the annual money weighted rate of return on trust investments, net of investment expenses was 5.6% for the year ended June 30, 2021. The calculation is based on monthly income and average monthly investment balances.

Changes in Net OPEB Asset/Liability

For the year ended June 30, 2021, in (dollars in thousands):

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability/ (Asset)**
Balances at beginning of the year	$ 21,362	$ 23,069	$ (1,707)
Changes for the year:			
Service cost	407	–	407
Interest	897	–	897
Changes of benefit terms	–	–	–
Difference between expected and actual experience	(99)	–	(99)
Changes of assumptions	2,379	–	2,379
Contributions – Employer	–	–	–
Net investment income	–	1,294	1,294
Benefit payments	(330)	(330)	–
Plan expense	–	(98)	98
Net changes	3,254	866	2,388
Net OPEB liability/(asset) at end of year	$ 24,616	$ 23,935	$ 681

16. Postemployment Benefits Other Than Pensions (continued)

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 (2.34 percent) or 1-percentage-point higher (4.34 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.34%)	1% Increase
Net OPEB (asset)/liability, June 30, 2021	$ 4,556	$ 681	$ (2,530)

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, 2021	$ (3,316)	$ 681	$ 5,731

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

For the year ended June 30, 2021, NYCEDC recognized OPEB income of $0.3 million. OPEB income and expense is reported in the NYCEDC's financial statements as part of Personnel Services expense. At June 30, 2021, NYCEDC reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows	Deferred Outflows
Difference between expected and actual experience	$ 212	$ 970
Changes in assumptions	2,350	1,991
Difference between projected and actual investment earnings	1,218	–
	$ 3,780	$ 2,961

16. Postemployment Benefits Other Than Pensions (continued)

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

Year ended June 30:		
2022	$	632
2023		620
2024		360
2025		(367)
2026 and thereafter		(426)
	$	819

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, 2021, CLIC had no investments and maintained a cash balance of approximately $3.4 million with JP Morgan Chase.

CLIC continues to provide coverage for two lines of insurance, cyber insurance and additional terrorism insurance. CLIC provides excess cyber coverage to NYCEDC and each company that is more than 50% owned and controlled by NYCEDC, with limits of $9 million per claim and in the aggregate, in excess of $5 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 one certified act of terrorism.

All policies provided by CLIC cover 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 85% (beginning on January 1, 2016 and decreasing by 1% per calendar year until equal to 80%) if the total loss affecting all involved insurers exceeds $100 million.

17. Blended Component Units (continued)

Effective December 10, 2018, CLIC began directly providing flood deductible and self-insured retention reimbursement coverage for locations not covered by a National Flood Insurance Program or located in Special Flood Hazard Areas as defined by the Federal Emergency Management Agency to NYCEDC and its affiliates, with limits ranging from $500,000 to $1,000,000 in excess of a $25,000 deductible per occurrence, with no aggregate limits.

Statements of Net Position

The following table summarizes CLIC's financial position at June 30, 2021 (dollars in thousands):

	2021
Total assets	$ 3,375
Total liabilities	20
Total net position	$ 3,355

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes CLIC's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

	2021
Operating revenues	$ 532
Operating expenses	87
Operating income	445
Change in net position	445
Total net position, beginning of year	2,910
Total net position, end of year	$ 3,355

17. Blended Component Units (continued)

City of New York Early Stage Life Sciences Fund LLC

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

Statements of Net Position

The following table summarizes ESLSF's financial position at June 30, 2021 (dollars in thousands):

	2021
Total assets	$ 3,494
Total liabilities	–
Total net position	$ 3,494

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes ESLSF's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

	2021
Operating revenues	$ –
Operating expenses	–
Operating loss	–
Non-operating income	1
Change in net position	1
Total net position, beginning of year	3,493
Total net position, end of year	$ 3,494

17. Blended Component Units (continued)

New York City Entrepreneurial Fund LLC

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

Statements of Net Position

The following table summarizes NYCEF's financial position at June 30, 2021 (dollars in thousands):

	2021
Total assets	$ 1,309
Total liabilities	–
Total net position	$ 1,309

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes NYCEF's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

	2021
Operating revenues	$ –
Operating expenses	–
Operating income	–
Non-operating income	–
Interfund transfers	–
Change in net position	–
Total net position, beginning of year	1,309
Total net position, end of year	**$ 1,309**

17. Blended Component Units (continued)

NYC Ferry Fleet, LLC

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

Statements of Net Position

The following table summarizes NYCFF's financial position at June 30, 2021 (dollars in thousands):

	2021
Total assets	$ 216,433
Total liabilities	–
Total net position	$ 216,433

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, 2021 (dollars in thousands):

	2021
Operating revenues	$ –
Operating expenses	9,225
Operating loss	(9,225)
Capital contribution	11,620
Change in net position	2,395
Total net position, beginning of year	214,038
Total net position, end of year	$ 216,433

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, 2021 (dollars in thousands):

	2021
Total assets	$ 2,260
Total liabilities	2,251
Total net position	$ 9

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes NYCCES's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

	2021
Operating revenues	$ 26,868
Operating expenses	26,868
Operating income (loss)	–
Non-operating income (loss)	9
Change in net position	9
Total net position, beginning of year	–
Total net position, end of year	$ 9

17. Blended Component Units (continued)

NYC COVID-19 Response, LLC

The NYC COVID-19 Response LLC (NYCCR) was formed in May of 2021 to establish a program that will facilitate funding to address the needs of hospitals in the City caused by the COVID-19 pandemic and the emerging new variants of the COVID-19 virus.

The following table summarizes NYCCR's financial position at June 30, 2021 (dollars in thousands):

	2021
Total assets	$ 788
Total liabilities	788
Total net position	$ –

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes NYCCR's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

	2021
Operating revenues	$ 4
Operating expenses	4
Operating income (loss)	–
Non-operating income (loss)	–
Change in net position	–
Total net position, beginning of year	–
Total net position, end of year	$ –

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 year ended June 30, 2021 the amount of $1,822 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 year ended June 30, 2021, NYCEDC earned management fee income from IDA of $4.4 million. At June 30, 2021 the amount due from IDA totaled $0.6 million.

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 year ended June 30, 2021, NYCEDC earned management fee income from Build NYC of $2.2 million. At June 30, 2021, the amount due from Build NYC totaled $0.4 million.

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, 2021, NYCEDC earned management fees of $0.3 million from TCR. At June 30, 2021, there were no amounts due from TCR.

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

18. Other Related-Party Transactions (continued)

fees were charged for these services for the year ended June 30, 2021. At June 30, 2021, the amounts due from NCC for the reimbursement of costs paid by NYCEDC on behalf of NCC, totaled $7,522.

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, 2021. At June 30, 2021, the amounts due from PRIF for the reimbursement of costs paid by NYCEDC on behalf of PRIF, totaled $13,215.

19. Accounting for Derivatives and Fuel Hedging Activity

As described in Note 12, NYCEDC, on behalf of 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 8.3 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).

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 2021.

Additionally, NYCEDC continued to use futures contracts as a hedging vehicle. On June 30, 2021, NYCEDC maintained a position of 274 futures contracts for ultra-low sulfur diesel and crude oil. These contracts cover a percentage of the fuel commitment for the next two years of the HNY operating contract period.

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

As of June 30, 2021, 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.

Diesel Fuel	Notional Amount- Gallon	Number of Contracts	Maturity Date	Fair Value June 30, 2021	Average Futures Price $/Gallon
	546,000	13	Aug–21	$ 135,979	$ 1.88
	504,000	12	Sep–21	113,959	1.90
	462,000	11	Oct–21	132,413	1.84
	462,000	11	Nov–21	155,379	1.79
	462,000	11	Dec–21	181,705	1.74
	462,000	11	Jan–22	175,455	1.75
	420,000	10	Feb–22	209,231	1.62
	462,000	11	Mar–22	239,580	1.59
	504,000	12	Apr–22	254,776	1.59
	546,000	13	May–22	261,475	1.60
	588,000	14	Jun–22	273,983	1.60
	630,000	15	Jul–22	287,398	1.61
	588,000	14	Aug–22	271,618	1.60
	546,000	13	Sep–22	238,728	1.63
	546,000	13	Oct–22	251,584	1.60
	462,000	11	Nov–22	199,223	1.63
	462,000	11	Dec–22	207,043	1.61
	462,000	11	Jan–23	199,534	1.62
	420,000	10	Feb–23	184,531	1.61
	462,000	11	Mar–23	217,535	1.56
	504,000	12	Apr–23	215,804	1.59
	462,000	11	May–23	191,243	1.59
	378,000	9	Jun–23	137,706	1.63
	168,000	4	Jul–23	48,577	1.70
Total Fair Value				$ 4,784,459	

20. Commitments and Contingencies

NYCEDC has an aggregate contractual commitment of $43.2 million at June 30, 2021 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. The future minimum rental commitments, as of June 30, 2021, required under the operating lease are as follows (dollars in thousands):

Fiscal year:	
2022	$ 11,840
2023	11,846
2024	11,951
2025	12,808
2026	12,980
2027 to 2031	67,152
2032 to 2036	72,900
2037 and thereafter	44,590
	$ 246,067

Accordingly, rent expense for office space amounted to $11.8 million for fiscal year ended June 30, 2021.

The Corporation's loan and loan guarantee finance programs are designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for the City. As of June 30, 2021, the Corporation's aggregate commitment for these programs is $104.0 million, of which $41.9 million has been put on hold to reallocate resources due to COVID-19.

20. Commitments and Contingencies (continued)

NYCEDC was the co-trustee along with 42^{nd} 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 42^{nd} 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, 2021, the amount due remains unpaid and the parties are negotiating a payment agreement. 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 and 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.

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 of 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.

Required Supplementary Information

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

Schedule of Changes in Net OPEB Liability (In Thousands)

	2021	2020	2019	2018
Total OPEB liability:				
Service cost	**$ 407**	$ 380	$ 531	$ 561
Interest	**897**	816	704	666
Changes of benefit terms	**–**	900	–	–
Difference between expected and actual experience	**(99)**	1,440	(206)	(103)
Changes in assumptions	**2,379**	(1,177)	(3,180)	(147)
Benefit payments	**(329)**	(208)	(201)	(225)
Net change in total OPEB liability	**3,254**	2,151	(2,352)	752
Total OPEB liability – beginning	**21,362**	19,211	21,563	20,811
Total OPEB liability – ending (a)	**$ 24,616**	$ 21,362	$ 19,211	$ 21,563
Total fiduciary net position:				
Contributions – employer	**$ –**	$ –	$ –	$ 20,000
Net investment income	**1,294**	2,434	1,195	–
Administrative expenses paid by the Trust	**(98)**	(36)	–	–
Benefit payments	**(329)**	–	–	–
Benefits and expenses payable	**–**	(524)	–	–
Net change in fiduciary net position	**866**	1,874	1,195	20,000
Trust fiduciary net position – beginning	**23,069**	21,195	20,000	–
Trust fiduciary net position – ending (b)	**$ 23,935**	$ 23,069	$ 21,195	$ 20,000
Corporation's net OPEB (asset)/liability – end of year (a-b)	**$ 681**	$ (1,707)	$ (1,984)	$ 1,563
Trust fiduciary net position as a percentage of the total OPEB liability	**97%**	108%	110%	93%

Notes to Schedule:
Changes of assumptions:
Discount rate was changed from 4.15% at June 30, 2020 to 3.34% at June 30, 2021.
Rate of return was changed from 4.60% at June 30, 2020 to 4.04% at June 30, 2021.
The mortality improvement scale was updated to use MP-2020 at June 30, 2021, from the MP-2019 at 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)

	2021	2020	2019	2018
Actuarially determined contribution	**$ –**	$ –	$ –	$ –
Contributions in relation to the actuarially determined contribution	**–**	–	–	20,000
Contribution deficiency (excess)	**$ –**	$ –	$ –	$ (20,000)
Covered-employee payroll	**$ 8,031**	$ 8,405	$ 8,018	$ 8,231
Contributions as a percentage of covered-employee payroll	**–%**	–%	–%	243%

Valuation dates:	June 30, 2020. Results were rolled forward to June 30, 2021.
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:	4.04% for 2021
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-2020 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.

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

Schedule of Investment Returns

	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	**5.6%**	11.5%	6.0%	–%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Supplementary Information

New York City Economic Development Corporation

(A Component Unit of the City of New York)

Combined Statement of Revenues, Expenses and Changes in Fund Net Position

	Total Unrestricted	Maritime Fund	NYC Ferry	Adjustment	Total Maritime & NYC Ferry	NYC Ferry Fleet, LLC	Brooklyn Army	Other Properties	Finance Programs	Capital Programs	Public Purpose & Other Fund	Apple 42nd Street	June 30, 2021
Operating revenues:													
Grants	$ 87,213,998	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 549,222,002	$ 16,020,175	$ –	**$ 652,456,175**
Property rentals	41,573,680	53,605,990	–	–	53,605,990	–	31,479,194	4,066,120	–	–	–	66,567,241	**197,292,225**
Real estate sales, net	4,999,999	–	–	–	–	–	–	–	–	–	–	–	**4,999,999**
Ferry related revenues	–	–	9,358,069	(9,358,069)	–	–	–	–	–	–	–	–	**–**
Fee income	13,126,787	2,792	–	–	2,792	–	28,998	–	–	–	12,000	82,497	**13,253,074**
Other income	10,898,969	35,300,603	3,478,742	(3,478,742)	35,300,603	–	4,205,994	771,548	350,879	–	2,375,959	392,396	**54,296,348**
Other Income – 42nd Street	35,268,601	–	–	–	–	–	–	–	–	–	–	(35,268,601)	**–**
Total Operating revenues	193,082,034	88,909,385	12,836,811	(12,836,811)	88,909,385	–	35,714,186	4,837,668	350,879	549,222,002	18,408,134	31,773,533	**922,297,821**
Operating expenses:													
Project costs	92,046,247	–	–	–	–	–	–	–	–	–	20,986,564	–	**113,032,811**
Program costs	–	–	–	–	–	–	–	–	336,976	549,222,002	–	–	**549,558,978**
Property rentals and related operating expenses	8,901,444	53,402,049	–	–	53,402,049	–	18,345,922	3,998,734	–	–	–	1,748,037	**86,396,186**
Ferry related expenses	–	–	45,349,876	(12,831,561)	32,518,315	–	–	–	–	–	–	–	**32,518,315**
Personnel Services	59,112,516	7,479,591	5,250	(5,250)	7,479,591	–	2,003,231	460,095	198,320	–	81,836	859,935	**70,195,524**
Contract and other expenses to the City	3,405,281	–	–	–	–	–	–	–	–	–	–	25,361,729	**28,767,010**
Office rent	11,755,919	–	–	–	–	–	–	–	–	–	–	–	**11,755,919**
Other general expenses	24,773,280	9,648,624	–	–	9,648,624	9,224,958	7,469,761	228,708	145,065	679,291	20,366	3,803,852	**55,993,905**
Total operating expenses	199,994,687	70,530,264	45,355,126	(12,836,811)	103,048,579	9,224,958	27,818,914	4,687,537	680,361	549,901,293	21,088,766	31,773,553	**948,218,648**
Operating income	(6,912,653)	18,379,121	(32,518,315)	–	(14,139,194)	(9,224,958)	7,895,272	150,131	(329,482)	(679,291)	(2,680,632)	(20)	**(25,920,827)**
Nonoperating revenues (expenses):													
Income (Loss) from Investments	82,529	3,324	–	–	3,324	–	–	5,869	(13,577)	–	(1,028)	20	**77,137**
Non-operating income/(expense)	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Total nonoperating revenues (expenses):	82,529	3,324	–	–	3,324	–	–	5,869	(13,577)	–	(1,028)	20	**77,137**
Income before transfers	(6,830,124)	18,382,445	(32,518,315)	–	(14,135,870)	(9,224,958)	7,895,272	156,000	(343,059)	(679,291)	(2,681,660)	–	**(25,843,690)**
Interfund transfers	8,479,567	(18,382,445)	18,382,445	–	–	–	(8,479,473)	–	–	–	(94)	–	**–**
Change in net position before capital contributions	1,649,443	–	(14,135,870)	–	(14,135,870)	(9,224,958)	(584,201)	156,000	(343,059)	(679,291)	(2,681,754)	–	**(25,843,690)**
Capital contribution	2,007,192	–	–		–	11,620,482	–	–	–	(5,567,079)	–	–	**8,060,595**
Change in net position	3,656,635	–	(14,135,870)	–	(14,135,870)	2,395,524	(584,201)	156,000	(343,059)	(6,246,370)	(2,681,754)	–	**(17,783,095)**
Total net position, beginning of year	302,876,550	7,000,000	(76,215,364)	–	(69,215,364)	214,038,400	19,165,144	1,600,848	54,269,755	10,378,092	31,133,846	–	**564,247,271**
Total unrestricted net position, end of year	234,262,480	4,073,598	(91,931,206)	–	(87,857,608)	–	–	–	–	–	–	–	**146,404,872**
Total restricted net position, end of year	–	–	–	–	–	–	500,000	1,756,848	53,926,696	3,012,072	28,452,092	–	**87,647,708**
Total net investment in capital assets, end of year	72,270,705	2,926,402	1,579,972	–	4,506,374	216,433,924	18,080,943	–	–	1,119,650	–	–	**312,411,596**
Total net position, end of year	$ 306,533,185	$ 7,000,000	$ (90,351,234)	$ –	$ (83,351,234)	$ 216,433,924	$ 18,580,943	$ 1,756,848	$ 53,926,696	$ 4,131,722	$ 28,452,092	$ –	**$ 546,464,176**

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

I. 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 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, 2021, and the related notes to the Schedule of Investments, and have issued our report thereon dated September __, 2021.

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) as a basis for designing 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 Schedule of Investments. 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 results 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.

________, 2021

Summary Financial Information

SUMMARY STATEMENT OF NET ASSETS

			Amount
Assets			
Current Assets			
	Cash and cash equivalents		$154,260,679.00
	Investments		$37,948,457.00
	Receivables, net		$330,123,224.00
	Other assets		$4,461,182.00
	Total Current Assets		$526,793,542.00
Noncurrent Assets			
	Restricted cash and investments		$226,800,681.00
	Long-term receivables, net		$16,008,352.00
	Other assets		$13,855,967.00
	Capital Assets		
		Land and other nondepreciable property	$132,387,246.00
		Buildings and equipment	$357,389,672.00
		Infrastructure	$0.00
		Accumulated depreciation	$44,978,076.00
		Net Capital Assets	$444,798,842.00
	Total Noncurrent Assets		$701,463,842.00
Total Assets			$1,228,257,384.00
Liabilities			
Current Liabilities			
	Accounts payable		$73,199,391.00
	Pension contribution payable		$0.00
	Other post-employment benefits		$0.00
	Accrued liabilities		$170,586,836.00
	Deferred revenues		$32,686,139.00
	Bonds and notes payable		$0.00
	Other long-term obligations due within one year		$2,658,158.00
	Total Current Liabilities		$279,130,524.00
Noncurrent Liabilities			

	Pension contribution payable		$0.00
	Other post-employment benefits		$681,050.00
	Bonds and notes payable		$0.00
	Long Term Leases		$0.00
	Other long-term obligations		$401,981,634.00
	Total Noncurrent Liabilities		$402,662,684.00
Total Liabilities			$681,793,208.00
Net Asset (Deficit)			
Net Assets			
	Invested in capital assets, net of related debt		$312,411,596.00
	Restricted		$146,404,872.00
	Unrestricted		$87,647,708.00
	Total Net Assets		$546,464,176.00

SUMMARY STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

			Amount
Operating Revenues			
	Charges for services		$695,684,483.00
	Rental & financing income		$208,360,265.00
	Other operating revenues		$18,253,073.00
	Total Operating Revenue		$922,297,821.00
Operating Expenses			
	Salaries and wages		$56,662,123.00
	Other employee benefits		$13,533,401.00
	Professional services contracts		$810,269,830.00
	Supplies and materials		$310,142.00
	Depreciation & amortization		$17,556,228.00
	Other operating expenses		$49,886,924.00
	Total Operating Expenses		$948,218,648.00
Operating Income (Loss)			($25,920,827.00)
Nonoperating Revenues			
	Investment earnings		$77,137.00
	State subsidies/grants		$0.00
	Federal subsidies/grants		$0.00
	Municipal subsidies/grants		$0.00
	Public authority subsidies		$0.00

	Other nonoperating revenues		$0.00
	Total Nonoperating Revenue		$77,137.00
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		($25,843,690.00)
Capital Contributions			$8,060,595.00
Change in net assets			($17,783,095.00)
Net assets (deficit) beginning of year			$564,247,271.00
Other net assets changes			$0.00
Net assets (deficit) at end of year			$546,464,176.00

Schedule of Investments

New York City Economic Development Corporation
(A Component Unit of the City of New York)
Year Ended June 30, 2021
With Report of Independent Auditors

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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

Schedule of Investments

Year Ended June 30, 2021

Contents

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, 2021, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Investments is free of material misstatement.

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

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

Opinion

In our opinion, the Schedule of Investments referred to above presents fairly, in all material respects, the investments of NYCEDC as of June 30, 2021, in conformity with U.S. generally accepted accounting principles.

Report on the Financial Statements as of June 30, 2021

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 year ended June 30, 2021, and our report thereon, dated September __, 2021, 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 __, 2021, 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.

________, 2021

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

Schedule of Investments
(In Thousands of Dollars)

	June 30, 2021
Operating	$ 86,902
Restricted	158,420
Total investments	$ 245,322

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, 2021

1. Background and Organization

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 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.

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.

1. Background and Organization (continued)

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.

3. Investments (continued)

As of June 30, 2021, the Corporation had the following investments.

	Fair Value	Investment Maturities at June 30, 2021 (In Years)		
	2021	**Less Than 1**	**1 to 2**	**Greater than 2**
Money market mutual funds	$ 113,477	$ 113,477	$ –	$ –
Money market deposit account	5,250	5,250	–	–
FHLB notes	40,005	10,004	–	30,001
FHLMC notes	1,023	1,023	–	–
Commercial paper	19,490	19,490	–	–
FFCB notes	58,647	–	37,958	20,689
U.S. Treasuries	7,229	7,229	–	–
Certificates of deposit	201	201	–	–
	$ 245,322	$ 156,674	$ 37,958	$ 50,690

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. U.S. Treasury and Agency securities and commercial paper, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

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

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, 2021, the Corporation's investments in Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), 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, 2021, 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, 2021 (dollars in thousands).

Issuer	Dollar Amount and Percentage of Total Investments June 30, 2021	
Federal Farm Credit Bank	**$ 58,647**	**23.9%**
Federal Home Loan Bank	**40,005**	**16.3**

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, 2021, and the related notes to the Schedule of Investments, and have issued our report thereon dated September __, 2021.

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) as a basis for designing 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 Schedule of Investments. 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 results 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.

________, 2021

EY Update

Kimberly Hancy, Partner, EY

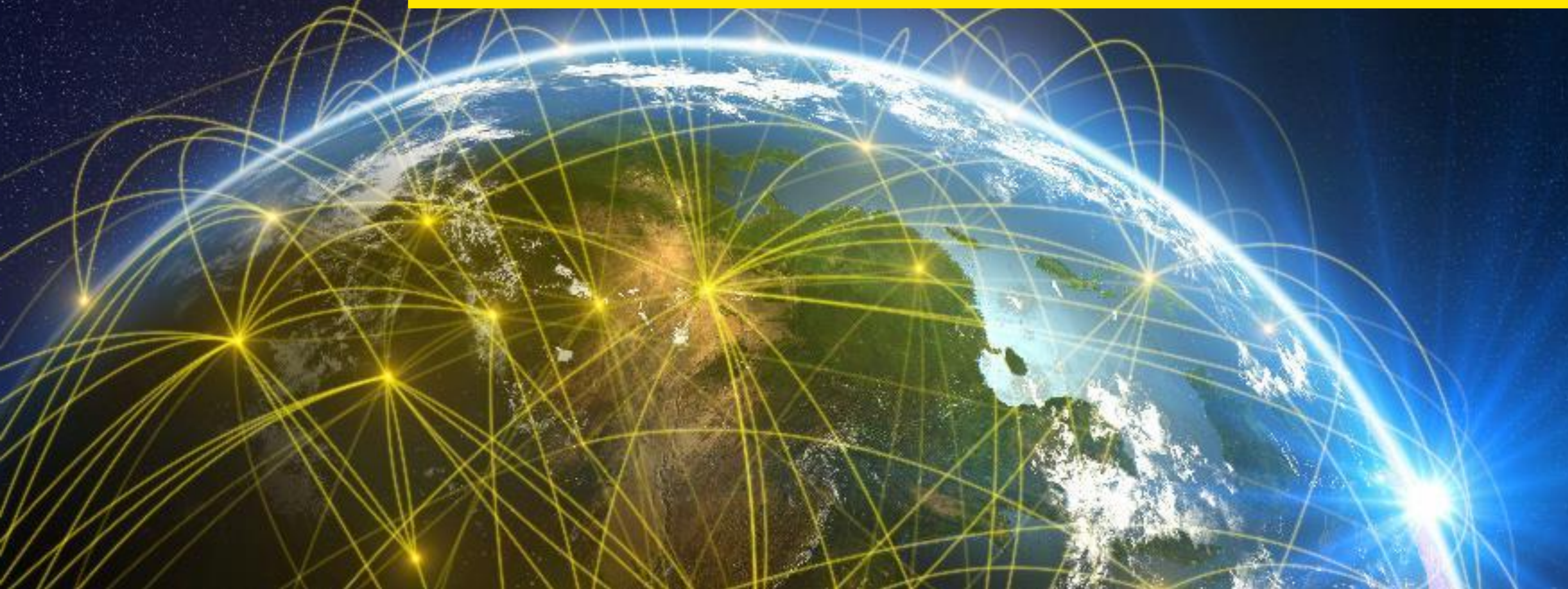
Erin Montgomery, Senior Manager, EY

Adam Wolken, Manager, EY

New York City Economic Development Corporation

2021 audit results

September 27, 2021



EY

Building a better working world

2021 audit results

Our audit scope is consistent with the plan communicated in May 2021

Key audit areas

Accounts/Processes

Revenue recognition (including unearned)

Operating expenses

Cash and investments

Receivables and allowances

Litigation and loss contingencies

Accrued liabilities

OPEB

Due to NYC

Tenant Security Deposits

Retainage Payable

Capital Assets

Other Key Areas

Implementation of GASB No. 84 *Fiduciary Activities*

Internal controls of processes that have an effect on the financial statements

Compliance with applicable laws, regulations and contractual provisions

Risk of management override of controls

Inquiries

We inquire of those charged with governance regarding your awareness of matters relevant to the audit, including:

- Your views about the risk of material misstatement due to fraud
- Your knowledge of any actual, alleged or suspected fraud
- Your awareness of tips or complaints regarding the Corporation's financial reporting and its response to such tips and complaints
- Your awareness of other matters relevant to the audit (such as violations or possible violations of laws or regulations)
- How you exercise oversight over the Corporation's assessment of fraud risks and the internal controls to address those risks

Note: This report is intended solely for the information and use of those charged with governance, Board of Directors and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

Key audit areas

Provided below is a summary of the Corporation's significant accounting policies and accounting estimates which have been applied in accordance with US GAAP and consistent with industry practice.

Key audit area	Summary of procedures and findings
Revenue recognition	▸ We substantively tested the amounts recognized by the Corporation as revenue and receivables by reviewing contracts with the City, fee invoices and lease documents. ▸ In conjunction with Grant Revenue we substantively tested Project and Programs Costs representing reimbursable agreements.
Operating expenses	▸ We tested significant disbursements by vouching to invoices and contracts with the vendor or other entity (e.g City, EDC)
Receivables and allowances	▸ We tested significant receivable balances and reviewed all allowances to determine if there were any significant collection issues, particularly with the continuing impact of COVID-19.
Cash and investments	▸ We performed an evaluation of NYCEDC's accounting and reporting related to cash, investments and investment risk under GASB 72. We confirmed cash and investments and tested the valuation of the portfolio.
Litigation and loss contingencies	▸ We evaluated NYCEDC's assumptions, disclosures, and reporting of on-going litigation. We obtained written legal confirmation from the NYCEDC's counsel regarding outstanding pending litigation.
Accrued liabilities including Due to the City of New York	▸ We tested the Corporation's analyses of accrued liabilities and evaluated the assumptions and various factors that affect the liabilities.
OPEB accounting, including assumed rate of returns, discount rates and funded status	▸ We utilized an actuary from our firm's actuarial service group to review and evaluate the Corporation's OPEB liability, including the assumptions utilized in making the calculation. ▸ The audit team tested the participant data on a sample basis to ensure that the census information is complete and accurate.
Tenant Security Deposits	▸ We tested tenant security deposits and escrow deposits received for proper classification and compared the liability to the offsetting asset to determine whether they are in agreement.
Retainage Payable	▸ We tested vendor invoices to determine whether the proper percentage of the payment is withheld based on the respective contracts. We also tested the release of retainage to the vendor is in accordance with the respective contract.

Key audit areas (continued)

Key audit area	Summary of procedures and findings
Capital Assets	▸ We obtained a copy of the capital asset rollforward and recalculated management's depreciation and net book value of material fixed assets. We selected a sample of material additions during the year and vouched to appropriate documentation (bank statements and title/placed-in-service support).
Implementation of GASB 84 *Fiduciary Activities*	▸ We evaluated management's analysis for identifying fiduciary activities as outlined under the standard. We selected samples based on management's analysis to corroborate the assessment of Business-Type vs. Fiduciary for each fund. We also reviewed and evaluated the required note disclosures under the standard.
Internal controls of processes that have an effect on the financial statements	▸ We obtained an understanding of internal controls and evaluated the various internal controls over financial reporting. Our procedures included reviewing system documentation and conducting walkthroughs with key process owners.
Compliance with applicable laws, regulations and contractual provisions	▸ We evaluated management's assessment of applicable laws, regulations and other contractual provisions and performed testing procedures in conjunction with other audit procedures described above.
Risk of management override of controls	▸ Professional standards require that we consider the risk of management override of controls to be a significant risk on all audits. We tested the appropriateness of journal entries and other adjustments made in the preparation of the financial statements, and reviewed accounting estimates for evidence of management bias.

Required communications: Summary

Area	Comments
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and the reasons for any modification to our report	Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you. Upon completion of our remaining audit procedures, we currently expect to issue an unmodified opinion on the Corporation's financial statements as of and for the year ended June 30, 2021.
Changes to the audit strategy, timing of the audit and significant risks identified (as applicable)	There have been no significant changes to our audit strategy from the plan communicated to you during the May 19th, 2021 meeting.
Matters relevant to our evaluation of the entity's ability to continue as a going concern	We did not identify any events or conditions that led us to believe there was substantial doubt about the Corporation's ability to continue as a going concern.
Our views about the qualitative aspects of the entity's significant accounting practices, including: ▸ Accounting policies ▸ Accounting estimates (as applicable)	Management has not selected or changed any significant policies or changed the application of those policies in the current year. We have discussed significant accounting policies and our views regarding accounting estimates and financial statement disclosures and related matters.
Related party relationships and transactions*	We noted no significant matters regarding the Corporation's relationships and transactions with related parties.
Changes to the terms of the audit with no reasonable justification for the change	None.
Significant unusual transactions**	We are not aware of any significant unusual transactions executed by the Corporation.
Material corrected misstatements related to accounts and disclosures	There were no corrected misstatements related to accounts or disclosures for the 2021 audit.
Uncorrected misstatements related to accounts and disclosures considered by management to be immaterial	No uncorrected misstatements.
Significant deficiencies and material weaknesses in internal control over financial reporting*	No material weaknesses have been identified.
Fraud and noncompliance with laws and regulations (illegal acts)**	We are not aware of any matters that require communication.
Obtain information relevant to the audit	Inquiries regarding matters relevant to the audit are to be performed at this meeting.
Independence matters*	We are not aware of any matters that in our professional judgment would impair our independence.

Required communications: Summary

Area	Comments
New accounting pronouncements	No issues have been identified with regard to management's implementation of GASB No. 84 *Fiduciary Activities*.
Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention**	None.
Disagreements with management and significant difficulties encountered in dealing with management when performing the audit**	None.
Management's consultations with other accountants**	None of which we are aware.
Other material written communications with management	There were no additional material written communications.
Other matters**	There are no other matters arising from the audit that are significant and relevant to those charged with governance regarding the oversight of the financial reporting process.
AICPA ethics ruling regarding third-party service providers	From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Corporation or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.
Representations we are requesting from management	We requested from management a letter of representations related to the audit.

All communications are to be made annually unless marked otherwise.

* Communicate when event occurs, at least annually

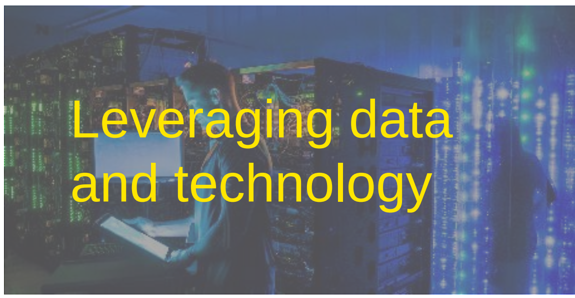
** Communicate when event occurs

Appendices

Strengthening trust and confidence in audits

The global EY network response

- Enhanced fraud training for audit professionals
- Expanded use of electronic cash confirmations
- Additional use of forensics professionals



- Data-driven audit approach
- Suite of data analytic tools (GL Analyzer)
- Deployment of Canvas.AI technology platform

- Social media scraping
- Financial ratio benchmarking

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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About EY's Assurance Services
Our assurance services help our clients meet their reporting requirements by providing an objective and independent examination of the financial statements that are provided to investors and other stakeholders. Throughout the audit process, our teams provide a timely and constructive challenge to management on accounting and reporting matters and a robust and clear perspective to audit committees charged with oversight.

The quality of our audits starts with our 60,000 assurance professionals, who have the breadth of experience and ongoing professional development that comes from auditing many of the world's leading companies.

For every client, we assemble the right multidisciplinary team with the sector knowledge and subject matter knowledge to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

Internal Audit Update

Jennie Wallace, EVP

Internal Audit Update Agenda

- FY 2021 Audit Plan Status
- FY 2022 Audit Plan Status
- Open Issues Status

FY21 Audit Plan Status: Wrapping Up

In-Process Projects

- CM Contract Review is in Fieldwork.
- All others are either complete or in report-writing phase

Report Status

- Issued reports:
  - Procurement
  - Design-Build
  - Core Data Sheets and Routine Revenue
  - TCR
  - Public Health Lab
- Pending reports:
  - Accounts Payable
  - RETS Handoff
  - COVID19 Change Orders

Audit Plan Changes

- N/A

FY22 Audit Plan Status: Ramping Up

In-Process Projects

- PAAA: beginning information gathering shortly
- Construction Governance: SOW is being prepared by Deloitte.
- Lease Administration - MRI Advisory Project: drafting memo for management
- Internal Audit Process Improvement is ongoing

Report Status

- N/A

Audit Plan Changes

- Proposing to remove the following audits from the plan:
  - Procure to Pay: Registration
  - East Midtown Greenway
  - Business Partner Due Diligence

FY22 Audit Plan Status

	Project Title	Objective / Purpose	Key Dept	Type of Project	Status
1	PAAA Compliance	To assess PAAA compliance activities to ensure that filings follow regulatory requirements.	Compliance / Finance	Compliance / Internal Controls	Beginning information gathering phase shortly.
2	Lease Administration: Revenue, Collections, Expenses	To assess key processes and controls in place over participation/contingent rent, CPI increases, and expenses within the lease administration process.	Asset Management / Finance	Internal Controls	Not yet started
~~3~~	~~Procure to Pay: Registration~~	~~To assess key processes and controls in place over the registration process.~~	~~Finance~~	~~Internal Controls~~	~~Propose to remove from the audit plan~~
4	IT General Controls	To assess controls over IT General Controls in the NYCEDC systems environment.	MIS	Internal Controls	Not yet started
5	At Risk Policy	To assess the controls and compliance around the At Risk Policy.	Finance	Compliance / Internal Controls	Not yet started
6	Construction Governance	To assess the governance activities and procedures in place over construction projects performed by Capital and AMDC.	Capital / AMDC	Internal Controls	SOW and scoping with Deloitte
~~7~~	~~Business Partner Due Diligence~~	~~To assess the controls overdue diligence of external business partners.~~	~~Partnerships~~	~~Internal Controls~~	~~Propose to remove from the audit plan~~
~~8~~	~~East Midtown Greenway~~	~~To identify areas of increased risk related to the construction project and ensure that proper controls are in place to mitigate the risks. Verification of the accuracy of billings or charges and contract compliance.~~	~~Capital~~	~~Construction Audit~~	~~Propose to remove from the audit plan~~
9	Trust for Cultural Resources (Annual)	To assess compliance with the TCR agreement.	Finance	Compliance Audit	Not yet started
10	Internal Audit Process Improvement	To streamline and organize Internal Audit's internal processes.	IA	Process Improvement	In process

Advisory Projects

Team	Details
Engineering Audit Unit Advisory	• Guidance/presentation on schedule delay analysis - Presentation given to Capital Leadership (Ongoing) • Change Order review presentation and ongoing training (Ongoing) • Labor rate analysis with Capital (Ongoing) • Claims SOP with Capital/ claim delay presentation (Ongoing) • Grants prevailing wage assistance to develop new OMB labor related document for Hunts Point Resiliency Project (AMDC) policy and procedure particular to the project (Ongoing) • MWBE discovery (Wrapping up) • Downtown Brooklyn Performance Center (Ongoing) • Enhancing Change Order escalation process (Ongoing) • AMDC Payment Requisition Control Requirements for EOR (Engineer of Records) (Ongoing) • Historical review of CM data to validate added cost on Bush MiNY (Ongoing)
Financial & Operational Advisory	• COVID19 Rent relief tenant invoicing (Wrapping up) • Ferry Controller Audit (Comptroller is drafting report) • SIG Process mapping and improvement around IDA/Build projects (Ongoing) • MRI Advisory project (Drafting memo for management)

Appendix

FY21 Audit Plan Status

Risk Rank	Project Title	Objective / Purpose	Key Dept	Type of Project	Status
1	Procure to Pay	To assess the adequacy of controls over the Procure to Pay cycle. May include the following areas: - Procurement/RFP Process - Registration Process - Accounts Payable - Concur Invoicing	Finance	Internal Controls Review	• Procurement report has been issued • Accounts Payable/Concur Invoicing Internal Controls Review is in vetting and report-writing phase
2	Lease Management	To assess controls over leases. May include the following areas: - Revenues/Collections - Lease Systems (MRI/Argus) - Portfolio Management/Business Operations - RETS Decision-Making and Transitions	Asset Management / RETS	Internal Controls Review	• Core Data Sheets / Routine Revenue report has been issued • RETS Decision-Making and Transitions audit is in report draft phase.
3	Public Health Lab - Construction Audit	To identify areas of increased risk related to the construction project and ensure that proper controls are in place to mitigate the risks. Verification of the accuracy of billings or charges and contract compliance.	Capital	Construction Audit	Complete, report has been issued.
4	Design/Build Assessment	To assess the risks and controls associated with the Design/Build construction method.	Capital	Internal Controls Review	Complete, report has been issued.
5	Construction Manager Contract Review	To identify areas of concern within Construction Manager Contracts.	Asset Management Design and Construction	Contract Audit	Fieldwork
6	COVID19 Change Order Review	To review change orders related to the COVID-19 response activities to ensure that required guidelines are followed.	Asset Management Design and Construction / Capital	Compliance Audit	Report writing phase
7	Trust for Cultural Resources	To assess compliance with the TCR agreement.	Finance	Compliance Audit	Complete, report issued

Open Audit Issues

As of 9/22/2021

#	Project Title	Open Audit Item	Department	Risk Rating	Original Report Date	Original Target Date	Revised Target Date	Current Status
1	Lease Revenue Oversight & Collection Practices Review	Required documentation is not adequately tracked and/or monitored.	Asset Management	Medium	9/13/2019	6/30/2020	12/31/2021	Asset Management is working with Finance and MIS on the production of a digital Core Data Form, which will be essential to the recording of CPI increases in addition to other lease provisions required to administer leases. This project includes two phases: 1) a digital building form and 2) a digital lease form. Phase 1, the building form, is currently underway.
2	Lease Revenue Oversight & Collection Practices Review	Controls have not been implemented to ensure that CPI adjustments to base rent are adequately tracked and monitored.	Asset Management	High	9/13/2019	9/30/2020	12/31/2021	A CPI Tracking Module has been added to Project Central which is a comprehensive real-time monitoring dashboard of all leases that include a CPI increase. An SOP for the utilization of this module is currently in- process. Noting that Finance was leading development of this SOP and the person who was drafting is no longer with the company. AM plans to revisit use of the CPI Tracking Module and the in-process SOP in FY22.
3	Lease Revenue Oversight & Collection Practices Review	Misinterpretation of Lease terms leading to weakened oversight over CPI calculations resulting in under-billings of base rent adjustments to tenants.	Asset Management	High	9/13/2019	6/30/2020	12/31/2021	The CPI module in Project Central will require Finance to check Asset Manager's calculation and record on the module that the CPI increase is complete. The Asset Manager will then prepare a Core Data Form that will be forwarded to Portfolio Surveillance and then sent to Accounting for billing. An SOP for the utilization of this module is currently in-process.
4	College Point - 132nd Street Extension	Lack of detailed Supervisory Reviews	Capital Programs	High	5/14/2019	6/30/2020	12/31/2021	Capital is currently working with the Resident Engineer on streamlining the review process.. They requested additional time to close this issue. New date is provided
5	College Point - 132nd Street Extension	Non-compliance with companywide policies and procedures	Capital Programs	High	5/14/2019	6/30/2020	12/31/2021	Capital is currently working with the Resident Engineer on streamlining the review process.. They requested additional time to close this issue. New date is provided
6	College Point - 132nd Street Extension	Non-compliance with Contract Terms	Capital Programs	High	5/14/2019	6/30/2020	12/31/2021	Capital is currently working with the Resident Engineer on streamlining the review process.. They requested additional time to close this issue. New date is provided
7	Homeport Pier C	Scope and Design Changes. User requirements for the Operator (Hornblower) were not determined and incorporated into the design in a timely manner.	AMDC	High	3/5/2020	12/31/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
8	Homeport Pier C	Scope and Design Changes. Vessel size was increased by the Operator without timely communication to key parties involved in the construction of the pier.	AMDC	Medium	3/5/2020	12/31/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
9	Homeport Pier C	Scope and Design Changes. Financial responsibility for scope additions was not clear, and a change was not supported by documentation.	AMDC	Medium	3/5/2020	12/31/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided

Open Audit Issues

As of 9/22/2021

#	Project Title	Open Audit Item	Department	Risk Rating	Original Report Date	Original Target Date	Revised Target Date	Current Status
10	Homeport Pier C	Schedule Impacts. The permit for the utility building was not filed properly, resulting in Project delays.	AMDC	High	3/5/2020	12/31/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
11	Homeport Pier C	Schedule Impacts. An inexperienced Construct NYC subcontractor was selected, but was not effectively vetted, resulting in delays and additional cost to the Project.	AMDC	Medium	3/5/2020	12/31/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
12	Homeport Pier C	Design Issues. An incomplete scope and inadequate design review caused multiple change orders for electrical items.	AMDC	High	3/5/2020	6/30/2021	N/A	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
13	Homeport Pier C	Design Issues. The floats for the dock did not meet required specifications and had to be rebuilt at increased cost, due to insufficient review by the designer.	AMDC	Medium	3/5/2020	6/30/2021	N/A	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
14	Homeport Pier C	Change Orders. Unallowable markups and high hourly rates included in change orders were not identified by the Project Manager or CM and were approved regardless.	AMDC	High	3/5/2020	6/30/2021	N/A	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
15	Homeport Pier C	Change Orders. Documentation to support the charges in a change order (AL 3440) was missing.	AMDC	Low	3/5/2020	9/30/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
16	Homeport Pier C	Change Orders. NYCEDC does not have robust guidelines for combining or separating change orders for related issues.	AMDC	Low	3/5/2020	9/30/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
17	Homeport Pier C	Change Orders. A change order that met the Internal Audit review threshold ($150K) was not submitted to Internal Audit for review.	AMDC	Low	3/5/2020	9/30/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
18	Homeport Pier C	Project Management. HRCG may have overcharged for staffing during the slow season. Controls were not in place to determine whether the staffing charges from HRCG were reasonable.	AMDC	Low	3/5/2020	12/31/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
19	Homeport Pier C	Contract The contracts between NYCEDC and the CM do not contain defined labor rates.	AMDC	Medium	3/5/2020	12/31/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
20	Homeport Pier C	Contract between NYCEDC and the CM does not address critical CM responsibilities and requirements during the bidding process.	AMDC	Low	3/5/2020	12/31/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided

Open Audit Issues

As of 9/22/2021

#	Project Title	Open Audit Item	Department	Risk Rating	Original Report Date	Original Target Date	Revised Target Date	Current Status
21	Homeport Pier C	Oversight of on-call work was not effective, as portions of this work should have been included in the warranty and/or the base Project scope.	AMDC	Medium	3/5/2020	12/31/2020	12/31/2021	AMDC has been impacted by recent personnel departure. They currently hired new VP and AVP who will be addressing these in the near future. They requested additional time to close this issue. New date is provided
22	Coney Island Hospital	1A - Bid Process (Contract Compliance)	Capital Programs	High	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
23	Coney Island Hospital	1B - Bid to Award Risks (Contract Compliance)	Capital Programs	High	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
24	Coney Island Hospital	1C - Subcontractor Change Order Rates: (Contract Compliance)	Capital Programs	Medium	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
25	Coney Island Hospital	1D - Staffing Rates (Contract Compliance)	Capital Programs	Medium	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
26	Coney Island Hospital	1E - Total Staffing (Contract Compliance)	Capital Programs	Medium	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
27	Coney Island Hospital	1F - Laborers (Contract Compliance)	Capital Programs	Medium	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
28	Coney Island Hospital	2A - Change Order Overhead and Rates (Change Management)	Capital Programs	Medium	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
29	Coney Island Hospital	3A - Negative Lags, Leads (Project Schedule)	Capital Programs	Low	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
30	Coney Island Hospital	3B - Lags (Change Management)	Capital Programs	Low	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
31	Coney Island Hospital	4A - Single Plane vs. Biplane Imaging Systems (Management Observations)	Capital Programs	Medium	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
32	Coney Island Hospital	4B - Design of Space for Medical Equipment (Management Observations)	Capital Programs	Medium	10/9/2020	6/30/2021	12/31/2021	Capital requested a new target date
33	Water Siphon Project	Variance between the winning bid, Engineer's Estimate, and other bidders was not vetted properly to minimize performance risk to the project	Capital Programs	High	12/16/2020	12/31/2020	12/31/2021	Capital is currently working on providing documentation in support of closing this issue.
34	Water Siphon Project	Contractor's commitment to bid response were not captured to memorialize their commitment as part of the contract	Capital Programs	High	12/16/2020	3/1/2021	12/31/2021	Capital is currently working on providing documentation in support of closing this issue.
35	Water Siphon Project	Improper schedule management led to unnecessary delays resulting in additional claims and delays	Capital Programs	High	12/16/2020	3/1/2021	12/31/2021	Capital is currently working on providing documentation in support of closing this issue.
36	Water Siphon Project	Improper documentation of potential claims may have resulted in an inadequate settlement	Capital Programs	Medium	12/16/2020	3/1/2021	12/31/2021	Capital is currently working on providing documentation in support of closing this issue.
37	Water Siphon Project	Ambiguous language in the Contract related to contractor-initiated Change Orders led to unfavorable resolution	Capital Programs	Medium	12/16/2020	3/31/2021	12/31/2021	Capital is currently working on providing documentation in support of closing this issue.

Open Audit Issues

As of 9/22/2021

#	Project Title	Open Audit Item	Department	Risk Rating	Original Report Date	Original Target Date	Revised Target Date	Current Status
38	Water Siphon Project	Inaccurate labor cost calculations resulted in overpayment of labor cost	Capital Programs	Low	12/16/2020	12/31/2020	12/31/2021	Capital is currently working on providing documentation in support of closing this issue.
39	Water Siphon Project	Late submittal of Escrow Bid Documents (EBD) resulted in claims being unsupported by the EBD and an ineffective claim resolution process	Capital Programs	Medium	12/16/2020	3/1/2021	12/31/2021	Capital is currently working on providing documentation in support of closing this issue.
40	Water Siphon Project	Lack of proper follow-up by the Project Team with non-responsive bidders likely led to limited information being included in the bid and diminishing overall bid competitiveness	Capital Programs	Low	12/16/2020	3/1/2021	12/31/2021	Capital is currently working on providing documentation in support of closing this issue.
41	DB Assessment	Without regular, formal schedule updates, NYCEDC's ability to track schedule performance and establish the cause of potential delays is limited.	Capital Programs	High	3/10/2021	6/30/2021	12/31/2021	Capital requested a new target date
42	DB Assessment	A lack of Baseline Cost Loaded Schedule may lead to inaccurate project tracking due to not being able to accurately measure performance. This may also expose NYCEDC to potential delay claims and not having the proper supporting documentation.	Capital Programs	High	3/10/2021	6/30/2021	12/31/2021	Capital requested a new target date
43	DB Assessment	Analysis and reporting of the project's critical path are a vital component of project management due to its potential to directly impact the project's completion date, and any liquidated damages that might be assessed.	Capital Programs	High	3/10/2021	6/30/2021	12/31/2021	Capital requested a new target date
44	DB Assessment	Without an accurate and updated Baseline Schedule, there is a higher likelihood that activities will be unaccounted for, which may lead to additional delays and cost overruns.	Capital Programs	High	3/10/2021	6/30/2021	12/31/2021	Capital requested a new target date
45	DB Assessment	Overbilling may occur if additional costs are not substantiated. Processing requests with insufficient supporting documentation may cause administrative inefficiences for the owner.	Capital Programs	Medium	3/10/2021	6/30/2021	12/31/2021	Capital requested a new target date
46	DB Assessment	Overbilling may occur on allowance line items if costs based on time and material are not substantiated.	Capital Programs	Low	3/10/2021	6/30/2021	12/31/2021	Capital requested a new target date
47	DB Assessment	Without the existence of updated items such as the DB Monthly Report, Risk Register, and QA/QC Report, the availability of certain project management features to NYCEDC are reduced, including monitoring project history and progress, anticipating cost, assessing performance, and mitigating overall project risks. Additionally, a detailed site-specific Safety Program is a contract requirement in order to improve project safety.	Capital Programs	Low	3/10/2021	6/30/2021	12/31/2021	Capital requested a new target date
48	NYC Public Health Lab Project	EAU observed the CCIP cost is incorrectly calculated because of the inclusion of Skanska's pre-construction and demolition staffing costs.	Capital Programs	Significant	6/17/2021	12/31/2021	N/A	Issue is not due

Open Audit Issues

As of 9/22/2021

#	Project Title	Open Audit Item	Department	Risk Rating	Original Report Date	Original Target Date	Revised Target Date	Current Status
49	NYC Public Health Lab Project	Actual wages paid to workers were less than the amounts in the negotiated labor rates.	Capital Programs	High	6/17/2021	12/31/2021	N/A	Issue is not due
50	NYC Public Health Lab Project	CM contract does not clearly define whether General Liability Insurance is considered overhead or a direct cost. As a result, two instances of insurance overbilling were observed.	Capital Programs	Medium	6/17/2021	12/31/2021	N/A	Issue is not due
51	NYC Public Health Lab Project	Baseline Project Schedule has not been established.	Capital Programs	High	6/17/2021	12/31/2021	N/A	Issue is not due
52	NYC Public Health Lab Project	Pre-construction deliverables have not been completed.	Capital Programs	Medium	6/17/2021	12/31/2021	N/A	Issue is not due
53	NYC Public Health Lab Project	No formal risk reviews have occurred.	Capital Programs	Medium	6/17/2021	12/31/2021	N/A	Issue is not due

Session with External Auditors
As necessary

Session with Internal Audit
As necessary

Session with Management
As necessary

Other Business

As necessary