

New York City Industrial Development Agency

(a component unit of the City of New York)

Schedule of Investments

**Years Ended June 30, 2021 and 2020
With Reports of Independent Auditors**



NYCIDA

New York City Industrial Development Agency

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

Schedule of Investments

June 30, 2021 and 2020

Contents

Report of Independent Auditors.....	1
Schedule of Investments	3
Notes to Schedule of Investments.....	4
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Investments Performed in Accordance With <i>Government Auditing Standards</i>	9

Report of Independent Auditors

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

Report on the Schedule of Investments

We have audited the accompanying Schedule of Investments for the New York City Industrial Development Agency (the Agency), a component unit of The City of New York, as of June 30, 2021 and 2020, and the related notes.

Management's Responsibility for the Financial Schedule

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Schedule of Investments referred to above presents fairly, in all material respects, the investments of the Agency as of June 30, 2021 and 2020, in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Pronouncement

As discussed in Note 2, the Agency restated its Schedule of Investments as of June 30, 2020 to reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*. Our opinion is not modified with respect to this matter.

Report on the Financial Statements as of June 30, 2021 and 2020

We have audited, in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, the financial statements of the Agency as of and for the years ended June 30, 2021 and 2020, and our report thereon, dated September 30, 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 30, 2021, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters with respect to the Schedule of Investments. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance with respect to the Schedule of Investments.

Ernst & Young LLP

September 30, 2021

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

Schedule of Investments
(In Thousands of Dollars)

	June 30	
	2021	2020
		As Restated*
Investments		
Unrestricted	\$ 14,061	\$ 14,070
Total investments	<u>\$ 14,061</u>	<u>\$ 14,070</u>

The accompanying notes are an integral part of this schedule.

**Restated for GASB No. 91 implementation – please see Note 2.*

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

Notes to Schedule of Investments

June 30, 2021

1. Background and Organization

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

The Agency is governed by a Board of Directors, which establishes official policies and reviews and approves applications for financial assistance. Its membership is prescribed by statute and includes a public official and mayoral appointees. Five of the mayoral appointees are appointed by the Mayor after nominations by the City's five Borough Presidents.

To support the activities of the Board of Directors, the Agency annually enters into a contract with the New York City Economic Development Corporation (NYCEDC), a not-for-profit corporation and a component unit of the City, organized to administer economic development programs which foster business expansion in the City. Under the terms set forth in the contract between NYCEDC and IDA, NYCEDC is to provide IDA with all of the professional, administrative, and technical assistance it needs to accomplish its objectives.

The Agency assists industrial and commercial organizations primarily through "straight lease" transactional structures. The straight lease provides tax benefits to the participating organizations (the Project Companies) to incentivize the acquisition and capital improvement of facilities that they own or occupy. The Agency may also assist Project Companies with long-term, low-cost financing for capital assets through a financing transaction (the Financing Transaction), which includes the issuance of double and triple tax-exempt private activity bonds (PABs). However, apart from the issuance of bonds to refund governmental bonds, the Agency has chosen not to issue new bonds. The Project Companies, in addition to satisfying legal requirements under the Agency's governing laws, must meet certain economic development criteria. In addition to the issuance of tax-exempt and taxable bonds for certain transactions, the Agency may provide one or more of the following tax benefits: partial exemption from mortgage recording tax; payments in lieu of real property taxes (PILOT) that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment.

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

Notes to Schedule of Investments (continued)

1. Background and Organization (continued)

In the past, the Agency issued PABs. The PABs are special non-recourse conduit debt obligations of the Agency which are payable solely from the rents and revenues provided for in the lease (Financing Lease) to the Project Company. The PABs are secured by a collateral interest in the Financing Lease, the Project Company's project property and, in certain circumstances, by guarantees from the beneficiary's principals or affiliates or other forms of additional security. Both the PABs and certain provisions of the Financing Lease are administered by an independent bond trustee appointed by the Agency.

When the Agency issues PABs, the proceeds of the PAB financing are conveyed to an independent bond trustee for disbursement to the Project Company. The Project Company leases the project or other collateral to the Agency for a nominal sum and the Agency, in turn, leases the property or other collateral back to the Project Company for a period concurrent with the maturity of the related PAB or the term of the tax benefits. Rental payments are calculated to be sufficient to meet the debt service obligation on the PAB. The Financing Lease includes a termination option, which allows the Project Company to cancel the Financing Lease for a nominal sum after satisfaction of all terms thereof.

Due to the fact that: (1) the PABs are non-recourse conduit debt obligations to the Agency, (2) the Agency assigns its interest in the Financing Lease as collateral, and (3) the Agency has no substantive obligations under the Financing Lease (other than to convey back the project property at the end of the PAB term), the Agency has, in effect, none of the risks and rewards of the Financing Lease and related PAB financing. Accordingly, with the exception of certain fees derived from the Financing Transaction, the Financing Transaction itself is given no accounting recognition in the accompanying financial statements.

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

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

Notes to Schedule of Investments (continued)

1. Background and Organization (continued)

The governmental Tax-Exempt PILOT Bonds are special limited obligations of the Agency payable solely from PILOT revenues derived from PILOTs made by Yankee Stadium, LLC and Queens Ballpark Company, LLC. However, since the Tax-Exempt PILOT Bonds were issued to finance the construction of the Stadia and because the Agency is the legal owner of the Stadia, the Tax-Exempt PILOT Bonds had been recorded in the Agency's books and were reflected in its financial statements. The Agency adopted GASB Statement No. 91, *Conduit Debt Obligations*, as of July 1, 2019 and, as a result restricted investments related to the Stadia Projects were removed from the Agency's Schedule of Investments as of June 30, 2020.

2. Summary of Significant Accounting Policies

Investments

Investments held by IDA are measured at fair value.

Impact of New Accounting Pronouncement Adopted

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with: (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improving required note disclosures.

As a result of adopting this pronouncement, the Agency's Schedule of Investments as of June 30, 2020, has been restated to reflect the required adjustments (in thousands).

	As Previously Reported	Adjustment	As Restated
As of June 30, 2020:			
Restricted Funds Held in Account – Stadia Projects	\$ 116,736	\$ (116,736)	\$ –
Total investments	\$ 130,806	\$ (116,736)	\$ 14,070

New York City Industrial Development Agency
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Notes to Schedule of Investments (continued)

3. Investments

As of June 30, 2021 and 2020, the Agency had the following unrestricted investments. Investment maturities are shown for June 30, 2021, only (dollars in thousands).

	Fair Value		2021	
			Investment Maturities (in Years)	
	2021	2020	Less Than 1	Greater than 1
Money Market Funds	\$ 231	\$ 278	\$ 231	\$ —
Federal Home Loan Bank Notes	—	3,699	—	—
Federal Farm Credit Bank Notes	13,729	—	—	13,729
U.S. Treasuries	—	9,993	—	—
Certificates of Deposit (over 90 days)	101	100	101	—
Total	\$ 14,061	\$ 14,070	\$ 332	\$ 13,729

Fair Value Measurement – The 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 and Level 3 inputs are significant unobservable inputs.

The money market funds, categorized as Level 1 inputs, are valued at the unadjusted prices that are quoted in active markets for identical assets. U.S. Treasury and U.S. Agency securities, categorized as Level 2, are valued on models using observable inputs. Certificates of deposit are valued at cost.

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

Interest Rate Risk: The Agency has a formal investment policy, which limits investment maturities to a maximum of two years from the date of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates. In an attempt to maximize yields on limited offerings, as of June 30, 2021, \$3.2 million of investments in Federal Farm Credit Bank notes purchased on June 14, 2021 mature on September 15, 2023.

New York City Industrial Development Agency
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Notes to Schedule of Investments (continued)

3. Investments (continued)

Credit Risk: It is the Agency's policy to limit its investments in debt securities to obligations of the United States and its agencies, and obligations of the State. As of June 30, 2021, the Agency's investments in Federal Farm Credit Bank were rated AA+ by Standard & Poor's, Aaa by Moody's Investors Service, Inc. and AAA by Fitch Ratings.

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

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

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

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2021		June 30, 2020	
Federal Home Loan Bank	\$	—	—%	\$ 3,699 26.29%
U.S. Treasuries		—	—	9,993 71.02
Federal Farm Credit Bank		13,729	97.64	— —

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Investments of the New York City Industrial Development Agency (the Agency), a component unit of The City of New York, as of June 30, 2021, and the related notes to the Schedule of Investments, and have issued our report thereon dated September 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule of Investments, we considered the Agency's internal control over financial reporting (internal control) 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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule of Investments will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Ernst + Young LLP

September 30, 2021

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