

New York City Economic Development Corporation
(a component unit of The City of New York)

**Financial Statements,
Required Supplementary Information, and
Supplementary Information**

**Years Ended June 30, 2024 and 2023
With Reports 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

Years Ended June 30, 2024 and 2023

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I. Introductory Section



September 30, 2024

To the Members of the Board:

To follow are the audited financial statements of NYCEDC for the fiscal year ending June 30, 2024, with comparison to our financial position at the close of fiscal year ending June 30, 2023.

This report reflects NYCEDC's focus to ensure the financial position needed to support our mission to create a vibrant, inclusive and globally competitive economy. The attached financial statements reflect the steady return to financial stability following the post COVID period with a \$37.7M increase in net position driven primarily by significant increases in property rental and interest revenue.

Importantly, the improvements in our financials, which align with the City's financial recovery, allow us to continue investing in the strategic priorities that will have an enduring impact on the economic foundation of NYC and provide equitable and inclusive opportunities for New Yorkers.

Across these priorities, we have invested in projects like the Fifth Avenue Corridor Public Realm and Graffiti Free/CleanNYC which supports our priority around strengthening business confidence, particularly in core business districts. Our investments in Workforce Development Programs, LifeSciNYC and Venture Access NYC are examples of our support for our strategic priority to grow innovation sections, while focusing on equity. Building neighborhoods where people live, learn, work, and play is a particular area of focus among our priority projects and includes critical work such as Willets Point Phase 1, NYC Health and Hospitals and Lower Manhattan Coastal Resiliency. This also reflects projects that have a major impact on NYers quality of life, such as the Orchard Beach Pavilion Reconstruction, NYC Summer Concert Series and NY Public Libraries. Finally, delivering sustainable infrastructure rounds out our strategic priorities and includes key initiatives such as the Manhattan Greenway/East Midtown project and the Lower Concourse projects in the Bronx. To note, fiscal year 2024 reflects our highest capital spend of \$809M to drive key projects and initiatives forward across NYC.

I look forward to discussions and feedback about the fiscal year 2024 results reflected in NYCEDC's financial statements as we continue to connect our financial management to our projects and work to deliver a meaningful economic impact for New York City.

Sincerely,

A handwritten signature in black ink, appearing to be 'AK' or similar initials, written in a cursive style.

Andrew Kimball

II. Financial Section



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Report of Independent Auditors

The Management and the Board of Directors
New York City Economic Development Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the New York City Economic Development Corporation (the Corporation), a component unit of The City of New York, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Corporation as of June 30, 2024 and 2023, and the respective changes in its financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net OPEB liability, the schedule of OPEB contributions and the schedule of investment returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The combining statement of revenues, expenses and changes in fund net position is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 GAAS. In our opinion, the combining statement of revenues, expenses, and changes in fund net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024 on our consideration of the Corporation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation’s internal control over financial reporting and compliance.

Ernst + Young LLP

September 30, 2024

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

Management's Discussion and Analysis

June 30, 2024 and 2023

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, 2024. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2024 Financial Highlights

Net position was \$712.4 million at June 30, 2024:

- Cash, cash equivalents and investments increased \$59.2 million (or 10%)
- Right to use lease assets, net and Capital assets, net, decreased \$95.6 million (or 19%)
- Loans receivables and mortgage receivables, net of allowance for uncollectible amounts, decreased \$23.3 million (or 59%)
- Other receivables decreased \$13.9 million (or 44%)
- Leases receivable increased \$48.7 million (or 2%)
- Accounts payable and accrued expenses increased \$28.1 million (or 11%)
- Other liabilities decreased \$19.4 million (or 78%)
- Lease liabilities decreased \$83.0 million (or 30%)
- Deferred inflows of resources – lease increased \$23.5 million (or 1%)

Change in net position is an increase of \$37.7 million for the fiscal year ended June 30, 2024:

- Grant revenues increased \$78.8 million (or 9%)
- Property rental, lease and interest revenue increased \$44.6 million (or 17%)
- Income from investments increased \$12.1 million (or 121%)
- Project costs and program costs increased \$81.1 million (or 10%)
- Ferry related expenses, net decreased \$14.0 million (or 34%)
- Personnel services increased \$11.3 million (or 15%)

New York City Economic Development Corporation
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Management's Discussion and Analysis (continued)

Overview of the Basic Financial Statements

This annual financial report consists of four parts: management's discussion and analysis (this section), basic financial statements which include 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 executing on its contractual obligations.

Financial Analysis of the Corporation

Condensed Statements of Net Position

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). 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. GASB 87 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.

As a result of adopting this pronouncement as of July 1, 2021, the Corporation recognized lease receivables, deferred inflows of resources, lease liabilities and right to use lease assets on the statement of net position based on the present value of future lease obligations and receivables.

New York City Economic Development Corporation
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Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

The following table summarizes NYCEDC's financial position at June 30, 2024, 2023 and 2022 (dollars in thousands) and the percentage changes between June 30, 2024 and 2023:

| | 2024 | 2023 | 2022 | % Change 2024–2023 |
|-------------------------------------|-------------------|-------------|-------------|-------------------------------|
| Current assets | \$ 879,910 | \$ 843,037 | \$ 767,188 | 4% |
| Non-current assets | 3,109,482 | 3,169,108 | 3,254,098 | (2)% |
| Total assets | 3,989,392 | 4,012,145 | 4,021,286 | (1)% |
| Deferred outflows of resources | 6,316 | 5,655 | 5,884 | 12% |
| Current liabilities | 377,854 | 358,226 | 311,342 | 5% |
| Non-current liabilities | 548,245 | 648,893 | 660,076 | (16)% |
| Total liabilities | 926,099 | 1,007,119 | 971,418 | (8)% |
| Deferred inflows of resources | 2,357,250 | 2,335,982 | 2,413,586 | 1% |
| Net position: | | | | |
| Restricted | 163,674 | 109,012 | 118,753 | 50% |
| Unrestricted | 331,102 | 335,524 | 273,534 | (1)% |
| Net investment in capital assets | 217,583 | 230,163 | 249,879 | (5)% |
| Total net position | \$ 712,359 | \$ 674,699 | \$ 642,166 | 6% |

New York City Economic Development Corporation
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Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

The Corporation's total assets at June 30, 2024 decreased by \$22.8 million or 1%, as compared to fiscal year ended 2023. Cash, cash equivalents, and investments increased by \$59.2 million mainly due to favorable market conditions generating income from investments of \$22.1 million. Loan and mortgage receivables decreased by \$23.3 million mainly due to repayments totaling \$20.4 million from borrowers in connection with two loan programs: the COVID-19 related Hospital Loan Fund (\$18.0 million), and the Emerging Developer Loan Fund (\$2.4 million). Other receivables decreased by \$13.9 million due to the timing of reimbursements from third parties for program costs. Capital assets decreased by \$16.2 million mainly due to \$14.7 million of depreciation. Leases receivable increased by \$48.7 million primarily due to both new and modified leases with present values of leases receivable totaling \$150.0 million, offset with cash received of \$89.0 million. Right to use lease assets decreased by \$79.4 million with the effective termination of the 2009 lease for Piers 11 and 12 at Brooklyn Cruise Terminal, which was replaced by the larger net lease entered into with the Port Authority for the Brooklyn Marine Terminal.

The Corporation's total liabilities decreased by \$81.0 million or 8%. Accounts payable and accrued expenses increased by \$28.1 million primarily due to accruals for work performed on programs on behalf of the City, including \$15.9 million for Workforce Development programs and \$10.9 million for the Lower Manhattan Coastal Resiliency project. Other liabilities decreased \$19.4 million, mainly due to the repayment of \$18.0 million of notes related to the Hospital Loan Fund. Lease liabilities decreased by \$83.0 million as a result of the net lease entered into with the Port Authority for the Brooklyn Marine Terminal, effectively terminating the 2009 lease for the Brooklyn Cruise Terminal at Piers 11 and 12.

The Corporation's overall net position during fiscal year 2024 increased by \$37.7 million, or 6%, as a result of the fiscal year operating and non-operating activities. This increase consisted of a \$54.7 million increase in restricted net position, offset by a \$4.4 million decrease in unrestricted net position, and a \$12.6 million reduction in net investment in capital assets.

New York City Economic Development Corporation
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Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

Prior Year

The Corporation's total assets at June 30, 2023 decreased by \$9.1 million, as compared to fiscal year ended 2022. Cash, cash equivalents, and investments increased by \$90.4 million mainly due to income from investments of \$10.0 million, the receipt of \$45.0 million in receivables due from City and Federal grants for prior year costs associated with NYC Ferry, and an increase in tenant security deposits of \$20.1 million. A net increase in Due from/to The City of \$16.8 million is primarily a result of City reimbursement grants due for project and program costs. Loan and mortgage receivables decreased by \$7.0 million mainly due to \$6.0 million in repayments from a hospital in connection with the hospital loan fund. At The City's request, the fund was established to address the needs of certain City hospitals caused by COVID-19 (see Note 7). Other assets increased by \$12.5 million primarily due to an \$8.8 million change in cash and investment positions related to the Corporation's fuel hedging activities. Lease receivable decreased by \$75.9 million primarily due to cash received from tenants during the fiscal year.

The Corporation's total liabilities increased by \$35.7 million or 4%. Accounts payable and accrued expenses increased by \$56.8 million primarily due to accruals for several programs, including \$38.0 million for the Department of Education's Early Childhood Education Stabilization Fund and \$12.6 million for the Con Edison funded Water Street Corridor Streetscape Improvement project. Tenant security and deposits payable increased by \$20.1 million due to deposits received into escrow from Con Edison for the aforementioned Water Street Corridor Streetscape Improvement project. Unearned revenue decreased by \$18.2 million or 12% primarily due to PILOMRT income recognized from a tenant within the 42nd Street Portfolio. Lease liabilities decreased by \$9.0 million as a result of payments made on long term leases for office space and Pier 11/12.

The Corporation's overall net position during fiscal year 2023 increased by \$32.5 million, or 5%, as a result of the fiscal year operating and non-operating activities. This increase consisted of a \$9.7 million decrease in restricted net position, \$62.0 million increase in unrestricted net position, offset by a \$19.7 million reduction in net investment in capital assets.

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

Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

Operating 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, 2024, 2023 and 2022 (dollars in thousands) and the percentage changes between fiscal years 2024 and 2023:

| | 2024 | 2023 | 2022 | % Change 2024–2023 |
|---|-------------------|------------|------------|-----------------------|
| Operating revenues: | | | | |
| Grants | \$ 917,543 | \$ 838,705 | \$ 886,928 | 9% |
| Property rentals and lease revenues | 249,697 | 203,943 | 180,831 | 22% |
| Fees and other income | 40,250 | 52,168 | 99,625 | (23)% |
| Total operating revenues | <u>1,207,490</u> | 1,094,816 | 1,167,384 | 10% |
| Operating expenses: | | | | |
| Project and program costs | 921,792 | 840,711 | 835,356 | 10% |
| Property rentals and related operating expenses | 100,793 | 91,467 | 88,663 | 10% |
| Ferry related expenses, net | 55,196 | 41,190 | 45,292 | 34% |
| Personnel services | 84,467 | 73,140 | 67,908 | 15% |
| Contract and other expenses to The City | 27,277 | 28,124 | 26,923 | (3)% |
| Other expenses | 54,841 | 51,530 | 58,569 | 6% |
| Total operating expenses | <u>1,244,366</u> | 1,126,162 | 1,122,711 | 10% |
| Operating (loss) income | <u>(36,876)</u> | (31,346) | 44,673 | 18% |
| Total non-operating income | <u>74,536</u> | 63,879 | 51,029 | 17% |
| Change in net position | <u>37,660</u> | 32,533 | 95,702 | 16% |
| Total net position, beginning of fiscal year | 674,699 | 642,166 | 546,464 | 5% |
| Total net position, end of fiscal year | <u>\$ 712,359</u> | \$ 674,699 | \$ 642,166 | 6% |

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

Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

During fiscal year ended 2024, operating revenues increased by \$112.7 million, or 10%. The increase in operating revenues is largely due to the increase in reimbursable grants of \$78.8 million and property rental, lease and interest revenue of \$44.6 million. The increase in reimbursable grants is primarily due to the following programs and projects: \$151.1 million for the DOH Public Health Lab, \$64.7 million for the New York Public Library, \$57.3 million for Bush Terminal, \$51.6 million for Willets Point and \$35.3 million for the Museum of Chinese in America. These revenue increases were offset by a decrease of \$48.4 million for the Early Childhood Education Stabilization fund, \$23.5 million for Wildlife Conservation and \$22.5 million for work done on behalf of the Health and Hospitals Corporation. Increases in property rental, lease and interest revenue was driven by continued recovery of cruise activity which generated income of \$36.0 million, and by additional rents recognized for Brooklyn Renaissance Plaza and South Brooklyn Marine Terminal amounting to \$9.2 million.

Operating expenses during the fiscal year ended 2024 increased by \$118.2 million or 10%. Reimbursable project costs decreased \$42.3 million mainly due to the termination of the Department of Education's Early Childhood Education Stabilization program, which incurred costs of \$48.4 million in fiscal year ended 2023. Reimbursable program costs increased by \$123.4 million primarily due to the costs incurred for the aforementioned projects for the DOH Public Health Lab, New York Public Library, Bush Terminal, Willets Point and the Museum of Chinese in America. An increase of \$14.0 million in ferry-related expenses is largely due to higher costs for fuel and vessel maintenance. Personnel services increased by \$11.3 million primarily due to a significant increase in EDC staffing.

Accordingly, operating income decreased by \$5.5 million as compared to fiscal year 2023, with the Corporation recognizing a net operating loss of \$36.9 million during fiscal year 2024.

Non-Operating Activities

Total non-operating revenues for fiscal years ended 2024 and 2023 totaled \$74.5 million and \$63.9 million, respectively. The fiscal year 2024 total was primarily made up of \$52.7 million of interest revenues earned on leases. Additionally, the Corporation recognized \$22.1 million of investment income during fiscal year 2024, due to higher invested balances and interest rates as compared to prior year.

New York City Economic Development Corporation
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Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

Net Position

The Corporation's net operating loss of \$36.9 million and non-operating revenue of \$74.5 million, resulted in an increase in net position of \$37.7 million during fiscal year 2024. This constitutes an increase of \$5.1 million or 16% as compared with the change in fiscal year 2023.

Prior Year

During fiscal year ended 2023, operating revenues decreased by \$72.6 million, or 6%. The decrease in operating revenues is largely due to the decrease in reimbursable grants of \$48.2 million and other income of \$52.9 million, offset by an increase in property rental, lease and interest revenue of \$23.1 million. The decrease in reimbursable grants is primarily the result of \$45 million of non-recurring funding for NYC Ferry Operations from City tax levy (\$15 million) and federal relief funds (\$30 million) allocated to the Corporation during fiscal year 2022. Other income decreased as a result of several fiscal year 2022 non-recurring transactions at 69 Adams Street, Atlantic Yards in Brooklyn and Kaufman Astoria Studios in Queens which generated combined income of \$49.3 million. Increases in property rental, lease and interest revenue was driven by continued recovery of rental and cruise activity back to pre-pandemic levels.

Operating expenses during the fiscal year ended 2023 increased by \$3.4 million, remaining flat as compared to prior year. Reimbursable project costs decreased \$10.1 million mainly due to the close out of the COVID-19 vaccine incentives program which incurred costs of \$96.2 million in fiscal year 2022, offset with 2023 project costs incurred for the Early Childhood Education Stabilization fund of \$48.4 million, Water Street Corridor Streetscape project of \$17.2 million and the NYC Summer Concert Series of \$5.6 million. Program costs increased by \$15.4 million due to expenses incurred on 29 new capital projects. The decrease of \$4.1 million in ferry related expenses is primarily due to \$6.0 million of rebates recognized from NYC Ferry's participation in The State's petroleum business and sales tax reimbursement programs, which were utilized to offset ferry fuel costs. Personnel services increased by \$5.2 million due to backfilling of vacant positions. Other expenses decreased by \$7.0 million primarily due to pandemic-driven tenant bad debt expenses recognized in fiscal year 2022, not continuing in fiscal year 2023.

New York City Economic Development Corporation
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Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

Accordingly, operating income decreased by \$76.0 million as compared to fiscal year 2022 with the Corporation recognizing a net operating loss of \$31.3 million during fiscal year 2023.

Non-Operating Activities

Total non-operating revenues for fiscal years ended 2023 and 2022 totaled \$63.9 million and \$51.0 million, respectively. The fiscal year 2023 total was primarily made up of \$53.9 million of interest revenues earned on leases recognized in accordance with the requirements of GASB 87. Prior to the adoption of this standard, all property rental and lease revenues recognized were classified as operating income. Additionally, \$10.0 million of investment income was recognized during fiscal year 2023, due to rising interest rates and market recovery.

Net Position

The Corporation's net operating loss of \$31.3 million and non-operating revenue of \$63.9 million, resulted in an increase in net position of \$32.5 million during fiscal year 2023. This constitutes a decrease of \$63.2 million or 66% as compared with the change in fiscal year 2022.

New York City Economic Development Corporation
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Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

Capital Assets and Right to Use Lease

The following table summarizes NYCEDC's capital and right to use lease assets for the fiscal years ended June 30, 2024 and 2023, (dollars in thousands) and the percentage change between June 30, 2024 and 2023:

| | 2024 | 2023 | % Change 2024–2023 |
|---|-------------------|-------------------|-------------------------------|
| Capital assets | | | |
| Leasehold improvements | \$ 92,106 | \$ 92,100 | –% |
| Equipment and computer software | 19,271 | 21,514 | (10)% |
| Vessels | 239,045 | 239,045 | –% |
| Work-in progress – other | – | 376 | (100)% |
| | <u>350,422</u> | <u>353,035</u> | (1)% |
| Less accumulated depreciation and amortization | <u>(93,409)</u> | <u>(79,857)</u> | 17% |
| Net capital assets | <u>\$ 257,013</u> | <u>\$ 273,178</u> | (6)% |
| Right to use lease assets | | | |
| Vehicles and equipment | \$ 1,021 | \$ 863 | 18% |
| Office space | 181,737 | 181,737 | –% |
| Pier 11/12 | – | 73,166 | (100)% |
| | <u>182,758</u> | <u>255,766</u> | (29)% |
| Less accumulated depreciation and amortization | <u>(31,101)</u> | <u>(24,689)</u> | 26% |
| Net right to use lease assets | <u>\$ 151,657</u> | <u>\$ 231,077</u> | (34)% |

Additional information about NYCEDC's capital and right to use lease assets are presented in Note 9 to the financial statements.

New York City Economic Development Corporation
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Management's Discussion and Analysis (continued)

Financial Analysis of the Corporation (continued)

Contacting NYCEDC's Financial Management

This financial report is designed to provide NYCEDC's customers, clients and the public with a general overview of the Corporation'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: <http://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 | |
|---|-----------|-----------|
| | 2024 | 2023 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents – current | \$ 85,740 | \$ 58,959 |
| Restricted cash and cash equivalents – current | 144,000 | 127,627 |
| Unrestricted investments | 79,662 | 79,772 |
| Restricted investments | 51,525 | 44,535 |
| Current portion of loans and mortgage notes receivable | 508 | 20,930 |
| Due from The City, including \$270,502 and \$235,836 under contracts with The City, respectively | 305,814 | 306,584 |
| Tenant receivables, net of allowance for uncollectible amounts of \$43,837 and \$40,755, respectively | 20,624 | 16,075 |
| Current portion of leases receivable | 167,496 | 152,837 |
| Prepaid expenses and other current assets | 6,942 | 4,218 |
| Other receivables | 17,599 | 31,500 |
| Total current assets | 879,910 | 843,037 |
| Non-current assets: | | |
| Restricted cash and cash equivalents | 198,795 | 200,900 |
| Unrestricted investments | 68,480 | 47,699 |
| Restricted investments | 13,147 | 22,617 |
| Loans and mortgage notes receivable, less current portion (less allowance for loan losses of \$6,400 and \$6,996), respectively | 15,980 | 18,829 |
| Leases receivable, less current portion | 2,247,035 | 2,213,019 |
| Right to use lease assets, net | 151,657 | 231,077 |
| Capital assets, net | 257,013 | 273,178 |
| Net OPEB asset | – | 3,409 |
| Land held for development, at cost | 132,387 | 132,387 |
| Other assets | 24,988 | 25,993 |
| Total non-current assets | 3,109,482 | 3,169,108 |
| Total assets | 3,989,392 | 4,012,145 |
| Deferred outflows of resources | | |
| Deferred outflows of resources – OPEB | 6,316 | 4,862 |
| Accumulated decrease in fair value of hedging derivatives | – | 793 |
| Total deferred outflows of resources | 6,316 | 5,655 |

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

Statements of Net Position (continued)
(In Thousands)

| | June 30 | |
|--|------------|------------|
| | 2024 | 2023 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses, including \$183,545 and \$153,267, respectively, under contracts with The City | \$ 295,611 | \$ 267,509 |
| Current portion of lease liabilities | 13,296 | 13,701 |
| Deposits received on pending sales of real estate | 5,532 | 5,956 |
| Due to The City: real estate obligations and other | 18,545 | 18,018 |
| Unearned revenue | 41,257 | 48,282 |
| Other liabilities | 3,613 | 4,760 |
| Total current liabilities | 377,854 | 358,226 |
| Non-current liabilities: | | |
| Tenant security and escrow deposits payable | 60,154 | 67,808 |
| Due to The City: real estate obligations | 125,021 | 125,021 |
| Lease liabilities, less current portion | 177,791 | 260,391 |
| Net OPEB liability | 315 | – |
| Unearned revenue, including unearned grant revenue of \$4,864 and \$4,864, respectively, under contracts with The City | 89,468 | 84,731 |
| Retainage payable | 93,558 | 90,755 |
| Other liabilities | 1,938 | 20,187 |
| Total non-current liabilities | 548,245 | 648,893 |
| Total liabilities | 926,099 | 1,007,119 |
| Deferred inflows of resources | | |
| Deferred inflows of resources – leases | 2,351,558 | 2,328,082 |
| Deferred inflows of resources – OPEB | 5,439 | 7,900 |
| Accumulated increase in fair value of hedging derivatives | 253 | – |
| Total deferred inflows of resources | 2,357,250 | 2,335,982 |
| Net position | | |
| Restricted by law or under various agreements | 163,674 | 109,012 |
| Unrestricted | 331,102 | 335,524 |
| Net investment in capital assets | 217,583 | 230,163 |
| Total net position | \$ 712,359 | \$ 674,699 |

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 | |
|---|---------------------------|-------------|
| | 2024 | 2023 |
| Operating revenues: | | |
| Grants | \$ 917,543 | \$ 838,705 |
| Property rentals and lease revenues | 249,697 | 203,943 |
| Fee income | 11,122 | 15,734 |
| Other income | 29,128 | 36,434 |
| Total operating revenues | 1,207,490 | 1,094,816 |
| Operating expenses: | | |
| Project costs | 112,498 | 154,774 |
| Program costs | 809,294 | 685,937 |
| Property rentals and related operating expenses | 100,793 | 91,467 |
| Ferry related expenses, net | 55,196 | 41,190 |
| Personnel services | 84,467 | 73,140 |
| Contract and other expenses to The City | 27,277 | 28,124 |
| Interest expenses – leases | 4,013 | 4,129 |
| Depreciation and amortization | 28,286 | 29,042 |
| Other general expenses | 22,542 | 18,359 |
| Total operating expenses | 1,244,366 | 1,126,162 |
| Operating loss | (36,876) | (31,346) |
| Non-operating revenues (losses): | | |
| Income from investments | 22,128 | 9,996 |
| Interest revenue – leases | 52,744 | 53,883 |
| Other non-operating expenses | (336) | – |
| Total non-operating revenues, net | 74,536 | 63,879 |
| Change in net position | 37,660 | 32,533 |
| Net position, beginning of fiscal year | 674,699 | 642,166 |
| Net position, end of fiscal year | \$ 712,359 | \$ 674,699 |

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 | |
|---|---------------------------|-------------|
| | 2024 | 2023 |
| Operating activities | | |
| Property rentals and related leasing revenue | \$ 262,446 | \$ 246,597 |
| Grants from The City | 919,362 | 847,321 |
| Fee income | 11,148 | 15,709 |
| Other income | 30,901 | 28,817 |
| Project costs | (118,037) | (117,007) |
| Program costs | (779,782) | (667,476) |
| Property rentals and related operating expenses | (92,586) | (91,226) |
| Ferry expenses | (51,367) | (47,614) |
| Personnel services | (81,074) | (72,422) |
| Office rent | (12,224) | (11,802) |
| Contract and other payments to The City | (26,668) | (52,488) |
| Other general and administrative expenses | (15,086) | (16,588) |
| Repayments of loans and mortgage receivable | 20,801 | 6,967 |
| Tenant security and escrow deposits | (7,654) | 20,148 |
| Other | (18,228) | (7,123) |
| Net cash provided by operating activities | 41,952 | 81,813 |
| Capital and related financing activities | | |
| Purchase of capital assets | (237) | (71) |
| Net cash used in capital and related financing activities | (237) | (71) |
| Investing activities | | |
| Sale of investments | 154,397 | 90,877 |
| Purchase of investments | (155,063) | (125,891) |
| Net cash used in investing activities | (666) | (35,014) |
| Net increase in cash and cash equivalents | 41,049 | 46,728 |
| Cash and cash equivalents, beginning of fiscal year | 387,486 | 340,758 |
| Cash and cash equivalents, end of fiscal year | \$ 428,535 | \$ 387,486 |

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

Statements of Cash Flow (continued)
(In Thousands)

| | Year Ended June 30 | |
|---|---------------------------|-------------|
| | 2024 | 2023 |
| Reconciliation of operating loss to net cash provided by operating activities | | |
| Operating loss | \$ (36,876) | \$ (31,346) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 28,286 | 29,042 |
| Provision for bad debts | 11,399 | 9,246 |
| Interest revenue – leases | 52,744 | 53,883 |
| Gain on lease termination | (31,370) | – |
| Other | 1,131 | 506 |
| Changes in operating assets, liabilities and deferred inflow/outflow of resources: | | |
| Due to/from The City | 1,297 | (16,849) |
| Other non-current assets | 1,005 | (12,501) |
| Tenant receivables | (13,932) | (13,819) |
| Prepaid expenses and other receivables | 11,179 | (10,070) |
| Loans and mortgage notes receivable | 23,270 | 6,837 |
| Tenant security and escrow deposits payable | (7,654) | 20,148 |
| Accounts payable and accrued expenses | 28,102 | 57,842 |
| Deposits received on pending sales of real estate | (424) | 487 |
| Net OPEB liability | (3,409) | 1,221 |
| Unearned grant revenue | (2,288) | (19,354) |
| Deferred inflows of resources | (3,915) | 82 |
| Retainage payable | 2,803 | 13,269 |
| Other current liabilities | (1,147) | (76) |
| Other non-current liabilities | (18,249) | (6,735) |
| Net cash provided by operating activities | \$ 41,952 | \$ 81,813 |
| Supplemental disclosures of noncash activities | | |
| Unrealized gain on investments | \$ 4,603 | \$ 1,381 |

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

| | June 30 | |
|------------------------------------|----------------|-------------|
| | 2024 | 2023 |
| Assets | | |
| Cash and cash equivalents | \$ 12 | \$ 136 |
| Investments: Mutual funds | 20,972 | 19,721 |
| Prepaid insurance premium | 17 | – |
| Due from NYCEDC | 11 | 32 |
| Accrued interest receivable | 1 | 1 |
| Total assets | 21,013 | 19,890 |
| Liabilities | | |
| Accrued expenses | 62 | 51 |
| Total liabilities | 62 | 51 |
| Net position – restricted for OPEB | \$ 20,951 | \$ 19,839 |

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 | |
|--|---------------------------|-------------|
| | 2024 | 2023 |
| Additions | | |
| Interest and dividends | \$ 622 | \$ 644 |
| Net increase (decrease) in fair value of investments | 966 | (275) |
| Total additions | 1,588 | 369 |
| Deductions | | |
| Benefit payments | 356 | 375 |
| Administrative expenses | 120 | 96 |
| Total deductions | 476 | 471 |
| Net increase (decrease) in fiduciary net position | 1,112 | (102) |
| Net position – restricted for OPEB | | |
| Beginning of fiscal year | 19,839 | 19,941 |
| End of fiscal year | \$ 20,951 | \$ 19,839 |

See accompanying notes.

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

Notes to Financial Statements

June 30, 2024 and 2023

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 16).

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, the provision of financial assistance to qualifying business enterprises as a means of helping to create and retain employment therein, managing, developing and promoting The City's waterfront, markets, aviation, freight and intermodal transportation, including the NYC Ferry system, and workforce development and recruitment programs. These services are generally provided under two annual contracts with The City: the Amended and Restated Contract (Master Contract) and the Amended and Restated 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 with 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 City-owned properties are managed by or leased to NYCEDC, which, in turn leases or subleases the properties to commercial and industrial tenants. The leases generally provide for base rent payments plus provisions for additional rent.

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

Notes to Financial Statements (continued)

1. Background and Organization (continued)

Brooklyn Army Terminal Portfolio: The Brooklyn Army Terminal (BAT) is an industrial property owned by The City that is leased to NYCEDC. NYCEDC, in turn, subleases the properties to commercial and industrial tenants. 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.

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 New York State (The State) to redevelop the 42nd Street district between 7th and 8th Avenues into a vibrant office and cultural center. By October 2012, ownership of all the properties was transferred from The State to The City. NYCEDC also assumed management and administrative responsibilities for all leases in connection with the 42nd Street Development Project as governed by the Master Contract with The City.

Beginning in fiscal year 2017, to partially offset the costs to NYCEDC for establishing and operating the NYC Ferry service (Note 12), the Corporation has not been required to remit rental revenues from the 42nd Street Development Project to The City. NYCEDC, however, is required to pass through to The City, all payments in lieu of taxes and real estate taxes collected from the Project.

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

Notes to Financial Statements (continued)

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).

Recently Adopted and Upcoming Accounting Standards

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. The adoption of this statement did not have a significant impact on the Corporation's financial statements.

In June of 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Corporation is evaluating the impact this statement will have on its financial statements.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this statement is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Corporation is evaluating the impact this statement will have on its financial statements.

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The Corporation is evaluating the impact this statement will have on its financial statements.

Impact of GASB Statement No. 87, Leases (GASB 87)

In June 2017, GASB 87 was issued. 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. GASB 87 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.

As discussed in Note 1, while the Corporation classifies its asset management operations into five portfolios, the Corporation evaluates whether each arrangement within each portfolio is considered a lease within the scope of GASB 87. 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 the Corporation, NYCEDC, in turn, subleases the properties to commercial and industrial tenants.

In accordance with GASB 87, as the Corporation (1) acts as either the property manager/lease administrator for The City or (2) the nominal rents remitted to The City are deemed non-exchange for The City-owned property, there is no lessor-lessee relationship between The City and NYCEDC recognized in the accompanying financial statements. However, for those City-owned properties that are leased to NYCEDC, NYCEDC's subleases to commercial and industrial tenants are considered leases under GASB 87 and these lessor relationships are recognized as leases receivable (Note 11).

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

As a result of adopting this pronouncement as of July 1, 2021, the Corporation recognizes lease receivables and deferred inflows of resources related to its lessor arrangements, as described in Note 11, as well as lease liabilities and right to use lease assets related to its various lessee arrangements as discussed in Note 13. Lease receivables and lease liabilities, as recorded in the statement of net position, are based on the present value of future payments. Within the statement of revenues, expenses and changes in net position, the right to use lease assets and deferred inflow of resources are recognized on a straight-line basis as amortization expense and lease revenues, respectively, over the life of the leases. The interest portion of cash payments received towards lease receivables and paid on lease liabilities are recognized as interest revenue and expense, respectively, based on rates implicit in the leases or the incremental borrowing rate.

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 ongoing operations. The principal operating revenues are grants from and through The City, rentals of City-owned property, and sales of property (see Real Estate Sales under this Note). NYCEDC's operating expenses include project and program costs, property maintenance charges, and general administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is NYCEDC's policy to use restricted resources first and then unrestricted resources as needed.

Grants

NYCEDC administers certain reimbursement and other grant funds from and through The City under its contracts with The City.

A reimbursement grant is a grant awarded for a specifically defined project and is generally administered such that NYCEDC is reimbursed for any qualified expenditures associated with such projects.

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

NYCEDC records reimbursement grants from and through The City as revenue when the related program costs are incurred and funding is approved. 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 and Lease Revenues

Property rental and lease revenues include amounts earned for additional performance or usage-based rent, other variable rents, pass-through rents and short-term lease revenue. It also includes amortization of the deferred inflows of resources recognized on a straight-line basis over the remaining 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.

Deferred Outflows and Inflow of Resources

The Corporation reports Deferred Outflows of Resources in the Statement of Net Position in a separate section following Assets and Deferred Inflows of Resources in a separate section following Liabilities. Changes in fair value in connection with fuel hedging for NYC Ferry are recorded as either a deferred outflow (loss) or as a deferred inflow (gain) of resources. The net differences between projected and actual earnings on OPEB plan investments, changes in assumptions for OPEB, and differences in expected and actual experience for OPEB are recorded

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

as either a deferred outflow or as a deferred inflow of resources. The offset to the present value of future tenant lease payments (leases receivable) are recognized as deferred inflow of resources and is amortized on a straight-line basis over the remaining term of the leases.

Retainage Payable

Retainage payable is treated as non-current due to the long-term nature of the related contracts.

Loans and Mortgage Notes Receivable

Loans to finance the acquisition of land and buildings are generally repayable over a 15 to 25 year period. Generally, all such loans for acquisition are secured by second mortgages or other security interests and carry below market interest rates. NYCEDC has also provided loans to City businesses to advance certain economic development objectives.

NYCEDC provides an allowance for loan losses based on an analysis of a number of factors, including the value of the related collateral. Based on established procedures, NYCEDC writes off the balances of those loans determined by management to be uncollectible.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and on hand, money market funds, money market deposit accounts, applicable certificates of deposit, and highly liquid debt instruments purchased 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.

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Assets purchased for internal use by NYCEDC in excess of \$10,000 are capitalized and consist primarily of vessels operating under the NYC Ferry system, leasehold improvements and equipment. Vessels are depreciated over a useful life of 25 years. Leasehold improvements are depreciated using the straight-line method over the shorter of the life of the lease or the estimated useful life assigned. Accordingly, leasehold improvements have useful lives from 7 to 20 years.

The Corporation also uses the straight-line method for depreciating or amortizing furniture and equipment over the estimated useful life assigned. The useful life of furniture and equipment varies from five to seven years.

Disbursements made by NYCEDC on behalf of The City for, among other things, capital projects, tenant build-out reimbursements, and leasing commissions in connection with rental operations are reflected as expenses in the year they are incurred.

Right to Use Lease Assets

Right to use lease assets are recorded to offset lease liabilities and adjusted as necessary for payments made to the lessor at or before the time of commencement of the lease and minus any lease incentives from the lessor. The Corporation uses the straight-line method for amortizing these assets over the remaining terms of the leases.

Tax Status

The currently reported income of NYCEDC qualifies for exclusion from gross income for federal income tax purposes under IRC Section 115.

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.

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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.

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 Trust Fund, which reports resources that are required to be held in trust for members and beneficiaries of the Corporation's OPEB plan.

3. Contracts With The City of New York

NYCEDC Master Contract

The City and NYCEDC have entered into the Master Contract, under which the Corporation 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; (5) managing and maintaining certain City owned -properties; and (6) workforce development and recruitment programs.

In partial consideration of the services rendered by NYCEDC pursuant to the Master Contract, the Corporation may retain (1) net revenues 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 earnings on all cash and investment accounts related to unrestricted operations and certain fees for services, may be retained by NYCEDC under the Master Contract without regard to the contract cap.

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

Notes to Financial Statements (continued)

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

Pursuant to section 11.05 of the Master Contract, at any time upon written request of the Mayor of The City or the Mayor's designee, NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which the Corporation's unrestricted net position exceeds \$7 million. At the direction of The City, NYCEDC remitted \$1.7 million and \$2.6 million from its unrestricted net position in fiscal years ended 2024 and 2023, respectively, which is accounted for under contract and other expenses to The City in the statements of revenues, expenses, and changes in net position.

The term of the Master Contract is one year commencing on July 1 and may be extended by The City for up to one year. The City may terminate this contract at its sole discretion upon 90 days' written notice. Upon termination of this contract, NYCEDC must remit to The City all program funds or other assets subject to certain prescribed limitations.

Maritime Contract

The City and NYCEDC have entered into the Maritime Contract under which the Corporation has been retained to perform various services primarily related to the retention and expansion of waterfront, intermodal transportation, market, freight and aviation development and commerce.

The services provided under this contract include (1) retaining maritime business and attracting maritime business to The City; (2) managing, developing, maintaining, and promoting The City's waterfront, markets, aviation, freight and intermodal transportation, including the NYC Ferry system; and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

In the performance of its services under the Maritime Contract, NYCEDC collects monies, including, but not limited to, rents and other revenues from tenants of certain City-owned properties managed by NYCEDC in connection with its maritime program. In consideration of the services rendered by the Corporation 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

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

Notes to Financial Statements (continued)

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

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 the Mayor's 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 each fiscal year ended 2024 and 2023 was \$25.4 million (Note 1).

4. Grants

NYCEDC receives grants for specifically defined projects. For the years ended June 30, 2024 and 2023, grant revenue was \$917.5 million and \$838.7 million, of which \$869.7 million and \$797.6 million comprised of reimbursement grants from and through The City, and the remaining \$47.9 million and \$41.1 million was provided by other sources, respectively.

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

NYCEDC may purchase land to help achieve The City's and the Corporation's redevelopment goals. In fiscal years ended 2024 and 2023, 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 statements of net position. As of June 30, 2024 and 2023, real estate obligations due to The City was \$125.0 million.

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

Notes to Financial Statements (continued)

5. Land Held for Development and Real Estate Obligations Due to The City (continued)

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

| | 2024 | 2023 |
|--|-------------|-------------|
| 225 125th Street, B1790, L12 | \$ 1,972 | \$ 1,972 |
| 2309–2313 3rd Avenue, B1790, L3, 49 | 858 | 858 |
| 236 East 126th Street, B1790 L31 | 183 | 183 |
| 246 E. 127th Street, B1791, L25 | 4,300 | 4,300 |
| Springfield Gardens, Queens, B13432, L57 | 53 | 53 |
| Land held for development | 7,366 | 7,366 |
| Boardwalk, Coney Island | 105,345 | 105,345 |
| 1047 Home Street, Bronx, B3006, L21 | 800 | 800 |
| 1051 Home Street, Bronx, B3006, L19 | 1,200 | 1,200 |
| 1057 Home Street, Bronx, B3006, L17 | 500 | 500 |
| 1174 Longfellow Avenue, Bronx, B2758, L14 | 4,000 | 4,000 |
| 3050 W. 21st Street, Brooklyn, B7071, L123 | 13,176 | 13,176 |
| Due to The City: real estate obligations | 125,021 | 125,021 |
| Total land held for development | \$ 132,387 | \$ 132,387 |

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

Notes to Financial Statements (continued)

6. Other Income

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

| | 2024 | 2023 |
|----------------------------|-----------|-----------|
| Tenant reimbursements | \$ 9,683 | \$ 12,094 |
| Developer contributions | 4,268 | 6,149 |
| Bad debt recovery | 3,242 | 5,216 |
| Other miscellaneous income | 11,935 | 12,975 |
| Total | \$ 29,128 | \$ 36,434 |

7. Loans and Mortgage Notes Receivable

NYCEDC has received installment notes from purchasers of certain real property sold by the Corporation 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, 2024 and 2023, these mortgage notes totaled \$6.8 million and \$7.0 million exclusive of any interest receivable, respectively.

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.

NYCEDC facilitated a hospital loan fund to address the needs of hospitals in The City caused by the COVID-19 pandemic and related variants. The loans, bearing interest at 1.85% and managed through one loan servicer, matured on December 29, 2023. The outstanding principal, as of June 30, 2024 and 2023, totaled zero and \$18.0 million, exclusive of any interest receivable, respectively. Loan repayments from this program were used to pay back the offsetting notes payable, bearing interest at 1.6%, due to the bank lender, the originator of the funds to source the loans. As of June 30, 2024, there was no outstanding notes payable balance. Accrued interest on the notes totaled zero and \$457,000 as of June 30, 2024 and 2023, respectively.

New York City Economic Development Corporation
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Notes to Financial Statements (continued)

7. Loans and Mortgage Notes Receivable (continued)

At June 30, 2024, the loan and mortgage notes portfolio consisted of 10 loans that bear interest at rates ranging from 0% to 9% and mature at various dates through October 1, 2046.

The composition of the entire portfolio, by industry type, at June 30, 2024 was as follows: real estate development 30.7% and other services 69.3%.

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: | | |
| 2025 | \$ 508 | \$ 465 |
| 2026 | 682 | 327 |
| 2027 | 397 | 320 |
| 2028 | 404 | 313 |
| 2029 | 1,212 | 665 |
| 2030–34 | 8,160 | 1,407 |
| 2035–39 | 8,658 | 1,048 |
| 2040–44 | 1,859 | 292 |
| 2045–49 | 1,008 | 36 |
| | 22,888 | \$ 4,873 |
| Allowance for uncollectible amounts | (6,400) | |
| Loans and mortgage notes receivable, net | \$ 16,488 | |

8. Due to/From The City of New York

NYCEDC is required to remit portions of certain amounts to The City under the Master Contract (Note 3). The unremitted portion of such amounts at June 30, 2024 and 2023, amounted to \$18.5 million and \$18.0 million, respectively.

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

Notes to Financial Statements (continued)

8. Due to/From The City of New York (continued)

Pursuant to the Master Contract with The City, NYCEDC recorded total grants from and through The City in the amount of \$869.7 million and \$797.6 million during fiscal years 2024 and 2023, respectively, of which \$270.5 million and \$235.8 million in capital funds were unpaid by The City as of June 30, 2024 and 2023, respectively. These unpaid amounts are included in the accompanying statements of net position as due from The City.

9. Capital and Right to Use Lease Assets

Changes in lease and capital assets for the years June 30, 2022 to June 30, 2024, consisted of the following (dollars in thousands):

| | June 30, 2022 | Additions/ Depreciation | Disposals | June 30, 2023 | Additions/ Depreciation | Disposals | June 30, 2024 |
|---|------------------|----------------------------|-----------|------------------|----------------------------|------------|------------------|
| Capital assets | | | | | | | |
| Equipment | \$ 18,933 | \$ 71 | \$ – | \$ 19,004 | \$ 236 | \$ (1,726) | \$ 17,514 |
| Leasehold improvements | 92,100 | – | – | 92,100 | 6 | – | 92,106 |
| Vessels | 239,045 | – | – | 239,045 | – | – | 239,045 |
| Computer software | 2,510 | – | – | 2,510 | – | (753) | 1,757 |
| Work-in-progress – other | 376 | – | – | 376 | (6) | (370) | – |
| Capital assets | 352,964 | 71 | – | 353,035 | 236 | (2,849) | 350,422 |
| Less: Accumulated depreciation/ amortization | (63,135) | (16,722) | – | (79,857) | (16,031) | 2,479 | (93,409) |
| Capital assets, net | \$ 289,829 | \$ (16,651) | \$ – | \$ 273,178 | \$ (15,795) | \$ (370) | \$ 257,013 |

| | June 30, 2022 | Additions/ Depreciation | Disposals | June 30, 2023 | Additions/ Depreciation | Disposals | June 30, 2024 |
|--|------------------|----------------------------|-----------|------------------|----------------------------|-------------|------------------|
| Right to Use (RTU) lease assets | | | | | | | |
| Vehicles and equipment | \$ 564 | \$ 299 | \$ – | \$ 863 | \$ 158 | \$ – | \$ 1,021 |
| Office space | 181,737 | – | – | 181,737 | – | – | 181,737 |
| Pier 11/12 | 73,166 | – | – | 73,166 | – | (73,166) | – |
| RTU lease assets | 255,467 | 299 | – | 255,766 | 158 | (73,166) | 182,758 |
| Less: Accumulated amortization | (12,331) | (12,358) | – | (24,689) | (12,261) | 5,849 | (31,101) |
| RTU lease assets, net | \$ 243,136 | \$ (12,059) | \$ – | \$ 231,077 | \$ (12,103) | \$ (67,317) | \$ 151,657 |

Depreciation and amortization of capital assets and right to use lease assets for the fiscal years ended June 30, 2024 and 2023, totaled \$28.3 million and \$29.1 million, of which approximately \$5,100 and \$38,000 was reclassified to ferry related expenses, respectively.

New York City Economic Development Corporation
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Notes to Financial Statements (continued)

10. Deposits and Investments

Deposits

At June 30, 2024, NYCEDC's cash and cash equivalents bank balance was \$428.5 million, of which \$12.2 million was FDIC insured. Of the remaining balance, \$218.5 million was invested in money market funds and \$197.8 million was uncollateralized. Emergency funds on hand amounted to \$10,000.

Investments

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations issued by an agency or instrumentality of the United States of America. Other permitted investments include short-term commercial paper, certificates of deposit and bankers' acceptances.

As of June 30, 2024 and 2023, the Corporation had the following investments. Investments maturities are shown for June 30, 2024, only (dollars in thousands):

| | Fair Value | | Investment Maturities at June 30, 2024, in Years | | |
|--|-------------------|-------------------|---|------------------|-------------------|
| | 2024 | 2023 | Less Than 1 | 1 to 2 | Greater Than 2 |
| Money Market | \$ 218,568 | \$ 167,407 | \$ 218,568 | \$ – | \$ – |
| FHLB notes | 85,746 | 110,850 | 58,658 | 14,855 | 12,233 |
| FFCB notes | 52,391 | 42,938 | 5,047 | 34,463 | 12,881 |
| FHLMC | 25,763 | 16,772 | 20,602 | 5,161 | – |
| FNMA | 2,034 | – | – | – | 2,034 |
| Commercial paper | 32,914 | 23,859 | 32,914 | – | – |
| U.S. Treasuries | 13,759 | – | 13,759 | – | – |
| Certificates of deposit | 207 | 204 | 207 | – | – |
| | 431,382 | 362,030 | \$ 349,755 | \$ 54,479 | \$ 27,148 |
| Less amount classified as cash equivalents | (218,568) | (167,407) | | | |
| Total investments | \$ 212,814 | \$ 194,623 | | | |

New York City Economic Development Corporation
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Notes to Financial Statements (continued)

10. Deposits and Investments (continued)

Fair Value Measurements – Fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and 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.

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, 2024 and 2023, the Corporation's investments in Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Co (FHLMC), Federal National Mortgage Association (FNMA) and U.S. Treasuries were rated AA+ by Standard & Poor's (S&P), Aaa by Moody's Investor's Service (Moody's) and AA+ by Fitch Ratings (Fitch). Commercial papers held were rated A-1/AA+ by S&P, P-1/Aaa by Moody's and AA+/F1+ by Fitch.

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 NYCEDC. At June 30, 2024 and 2023, the Corporation was not subject to custodial credit risk.

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

Notes to Financial Statements (continued)

10. Deposits and Investments (continued)

Concentration of Credit Risk – The Corporation places no limit on the amount NYCEDC may invest in any securities backed by the United States of America government. The following table shows investments, including money markets, that represent 5% or more of total investments as of June 30, 2024 and 2023, (dollars in thousands):

| Issuer | Dollar Amount and Percentage of Total Investments | | | |
|--------------------|--|-----|-------------|-----|
| | June 30 | | | |
| | 2024 | | 2023 | |
| Money Market Funds | \$ 218,568 | 51% | \$ 167,407 | 46% |
| FHLB | 85,746 | 20 | 110,850 | 31 |
| FFCB | 52,391 | 12 | 42,938 | 12 |
| FHLMC | 25,763 | 6 | 16,772 | 5 |

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 \$22.1 million and \$10.0 million for the fiscal years ended June 30, 2024 and June 30, 2023 respectively.

11. Leases Receivable

As described further in Note 2, lease receivables relate to NYCEDC subleases of City-owned properties to commercial and industrial tenants. 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 1 to 50 years.

The Corporation recognizes and measures the lease receivable at the present value of the lease payments expected to be received during the applicable lease, using an applicable discount rate stated or implicit in the lease, less any provisions for uncollectible amounts. The Corporation also recognizes a deferred inflow of resources at the amount of the lease receivable, including any lease payments received from the lessee before commencement related to future periods and less any lease incentives.

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Notes to Financial Statements (continued)

11. Leases Receivable (continued)

The future minimum lease payments as of June 30, 2024, payable by the tenants under leases and subleases, is as follows (dollars in thousands):

| | <u>Total Minimum Payments</u> |
|--------------------------------|--|
| 2025 | \$ 167,496 |
| 2026 | 163,740 |
| 2027 | 159,328 |
| 2028 | 149,804 |
| 2029 | 149,482 |
| 2030–2034 | 672,962 |
| 2035–2039 | 634,502 |
| 2040–2044 | 627,173 |
| 2045–2049 | 646,728 |
| 2050–2054 | 660,010 |
| Thereafter | <u>5,051,855</u> |
| Total | 9,083,080 |
| Less: present value adjustment | <u>6,668,549</u> |
| Leases receivable | <u><u>\$ 2,414,531</u></u> |

The present value of minimum lease payments shown above is comprised of current and long-term amounts shown in the statement of net position. The thereafter category includes 43 leases with expiration dates between October 31, 2054 and April 18, 2118.

12. NYC Ferry System

In 2016, NYCEDC contracted with Hornblower Group (HNY) for the provision of ferry services under the new NYC Ferry system. Pursuant to a request for proposal, HNY was subsequently re-procured in October 2023. The system is currently made up of six 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.

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Notes to Financial Statements (continued)

12. NYC Ferry System (continued)

The net cost of these operations, which excludes capital costs, as of June 30, 2024 and 2023, was \$55.2 million and \$41.2 million, respectively. To partially offset the costs to NYCEDC for establishing and operating the ferry system, NYCEDC was not required to remit to The City \$16.7 million under the Maritime Contract or commercial rents received from the 42nd Street Development Project (Notes 1 and 3) during fiscal years ended June 30, 2024 and 2023.

13. Lease Liabilities

At June 30, 2024 and 2023, the Corporation held leases for vehicles, equipment, office space and piers. The vehicle and equipment leases range in duration of three to five years and terminate at various dates through August 2027. Additionally, NYCEDC entered into a long term lease agreement for its office space. The office lease is effective March 2018 with an expiration date of May 31, 2039. In June 2024, the lease for Piers 11 and 12 at Brooklyn Cruise Terminal was effectively terminated and replaced by the larger net lease with the Port Authority for the Brooklyn Martine Terminal (BMT Lease). The BMT Lease does not meet the criteria for GASB 87 as minimum lease payments are \$0 and accordingly, a lease liability is not recorded for this lease.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2024 are as follows:

| | Vehicles and Equipment | Office Space | Total |
|------------------------------------|-----------------------------------|-------------------------|--------------|
| 2025 | \$ 324 | \$ 12,972 | \$ 13,296 |
| 2026 | 109 | 12,976 | 13,085 |
| 2027 | 60 | 12,980 | 13,040 |
| 2028 | – | 12,984 | 12,984 |
| 2029 | – | 13,082 | 13,082 |
| 2030–2034 | – | 70,729 | 70,729 |
| 2035–2039 | – | 75,118 | 75,118 |
| Total | \$ 493 | \$ 210,841 | 211,334 |
| Less: adjustment for present value | | | (20,247) |
| Lease liabilities | | | \$ 191,087 |

New York City Economic Development Corporation
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Notes to Financial Statements (continued)

14. Pension Plan

NYCEDC maintains a 401(a) defined contribution pension plan that 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 nonmatching contribution in the amount of 6% of wages at the beginning of the 2nd year of employment. This amount increases to 10% at the beginning of the 4th year of employment, 12% at the beginning of the 5th year of employment, 14% at the beginning of the 6th year of employment, 16% at the beginning of the 11th year of employment, and 18% at the beginning of the 16th year of employment. Employees are 100% vested at the time of contribution. Contributions are made quarterly and are current. The plan is administered at the direction of the NYCEDC Retirement Plan Investment Committee. Pension expense for the fiscal years ended June 30, 2024 and 2023, amounted to \$6.6 million and \$6.1 million, respectively, and is included in personnel services in the accompanying statements of revenues, expenses, and changes in net position.

15. 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, this plan was amended during February 2011 with an effective date of July 1, 2011, and again in July 2016 with an effective date of June 30, 2016. The amendments include revisions to the definition of what constitutes an eligible participant and the closure of the plan to new participants. As a result of these amendments, the plan maintains the current benefit structure, but plan participation will continue for only certain groups of members, who are (i) all retired members, (ii) all active employees hired prior to April 1, 1986, who are ineligible for Medicare coverage when they depart EDC, and (iii) all active employees who started working prior to January 1, 2011, with (a) at least 10 years of service as of that date or (b) who will be age 60 or older by June 30, 2024 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 the Corporation. 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 the retiree's family status. Under the Low option,

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Notes to Financial Statements (continued)

15. Postemployment Benefits Other Than Pensions (continued)

retirees make contributions in the amount of \$50 a month for single coverage and \$100 a month for family coverage. Effective September 1, 2022, these amounts increased to \$60 monthly for single and \$120 monthly for family. 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 – As of July 1, 2023, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Active employees | 50 |
| Inactive employees and/or beneficiaries currently receiving benefit payments | 59 |
| Future retirees and beneficiaries not currently receiving benefit payments | <u>6</u> |
| Total participants | <u><u>115</u></u> |

Contributions – NYCEDC has the right to establish and amend the contribution requirements. For the fiscal years ended June 30, 2024 and 2023, the average contribution rate was 0% of covered payroll.

Net OPEB Asset/Liability

The Corporation's net OPEB liability and total OPEB liability was determined as of June 30, 2024 based on a roll-forward of data as of July 1, 2023.

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Notes to Financial Statements (continued)

15. Postemployment Benefits Other Than Pensions (continued)

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

| | |
|-------------------------------|--|
| Consumer price index | 3.0% per annum |
| Investment rate of return | 5.75% per annum |
| Salary increases | 4.25% |
| Health care costs trend rates | 8.60% grading down to an ultimate rate of 4.75% for Non-Medicare 7.85% grading down to an ultimate rate of 4.75% for Medicare |

Mortality rates were based on the Pub-2010 Above Median Headcount Weighted General Mortality table with application of the MP-2021 improvement scale on a fully generational basis. The MP-2021 improvement scale was released by the Society of Actuaries in 2021 and reflects additional data from the Social Security Administration.

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.

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 5.26% and 5.74% at June 30, 2024 and 2023, respectively. The projection of cash flows used to determine the discount rate does not assume any additional contributions. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2053. After that time, benefit payments for current plan members will be funded on a pay-as-you-go basis.

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Notes to Financial Statements (continued)

15. Postemployment Benefits Other Than Pensions (continued)

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’s obligation of the Corporation in a prudent manner and to conserve and enhance the value of the Trust’s 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 and updated in March 2023. The Trust is currently invested in the following securities within the current investment policy limitations:

| Asset Class | Allocation |
|--------------------|-------------------|
| US equity | 20% |
| Non-US equity | 10 |
| Mult-Asset | 10 |
| Aggregate bond | 60 |

The Investment Policy limits the Trust to investing no more than 5% of the total portfolio in the common stock of any one corporation. The Trust may not hold more than 5% of the outstanding shares of any one company. Fixed-income securities of any one issuer shall not exceed 5% 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 5% 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.

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Notes to Financial Statements (continued)

15. Postemployment Benefits Other Than Pensions (continued)

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, 2024 and 2023. Investment maturities are shown for June 30, 2024, only (dollars in thousands):

| Investment type | Level | Fair Value | | Maturities | | |
|--|-------|------------|-----------|------------|-----------|------------|
| | | 2024 | 2023 | >1 Year | 1–5 Years | 6–10 Years |
| Money market fund | 1 | \$ 12 | \$ 136 | \$ 12 | \$ – | \$ – |
| Mutual funds | 1 | 20,972 | 19,721 | 20,972 | – | – |
| Total investments by fair value level | | 20,984 | 19,857 | \$ 20,984 | \$ – | \$ – |
| Less amounts reported as cash equivalents per the financial statements | | (12) | (136) | | | |
| Total investments per the financial statements | | \$ 20,972 | \$ 19,721 | | | |

New York City Economic Development Corporation
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Notes to Financial Statements (continued)

15. Postemployment Benefits Other Than Pensions (continued)

The Trust manages custodial credit risk by limiting possession of investments to highly rated institutions or requiring 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, 2024 and 2023, 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, which 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, 2024 and 2023, 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, interest rate risk 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.

Rate of Return – The annual money-weighted rate of return on trust investments, net of investment expenses was 7.8% and 1.8% for the fiscal years ended June 30, 2024 and 2023, respectively. The calculation is based on investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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Notes to Financial Statements (continued)

15. Postemployment Benefits Other Than Pensions (continued)

Changes in Net OPEB (Asset) Liability

For the fiscal year ended June 30, 2024 (dollars in thousands):

| | Increase (Decrease) | | |
|--|-------------------------------------|--|---|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
| Balances at beginning of the year | \$ 16,430 | \$ 19,839 | \$ (3,409) |
| Changes for the year: | | | |
| Service cost | 239 | — | 239 |
| Interest | 946 | — | 946 |
| Difference between expected and actual experience | 1,428 | — | 1,428 |
| Changes of assumptions | 2,579 | — | 2,579 |
| Net investment income | — | 1,588 | (1,588) |
| Benefit payments | (356) | (356) | — |
| Plan expense | — | (120) | 120 |
| Net changes | 4,836 | 1,112 | 3,724 |
| Net OPEB liability at end of year | \$ 21,266 | \$ 20,951 | \$ 315 |

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

Notes to Financial Statements (continued)

15. 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 NYCEDC’s net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.26%) or 1 percentage point higher (6.26%) than the current discount rate (dollars in thousands):

| | 1% Decrease | Discount Rate (5.26%) | 1% Increase |
|---|------------------------|----------------------------------|------------------------|
| Net OPEB (asset) liability, June 30, 2024 | \$ 3,070 | \$ 315 | \$ (2,007) |

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates – The following presents the net OPEB (asset) liability of the Corporation, as well as what NYCEDC’s net OPEB (asset) liability would be if it were calculating using health care cost trend rates that are 1 percentage point lower or 1 percent point higher (dollars in thousands):

| | 1% Decrease | Current Health Care Cost Trend Rates | 1% Increase |
|---|------------------------|---|------------------------|
| Net OPEB (asset) liability, June 30, 2024 | \$ (2,440) | \$ 315 | \$ 3,664 |

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

Notes to Financial Statements (continued)

15. Postemployment Benefits Other Than Pensions (continued)

OPEB Income and Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal years ended June 30, 2024 and 2023, NYCEDC recognized OPEB expense of \$0.2 million and OPEB income of \$1.1 million, respectively. OPEB income and expense are reported in the Corporation's financial statements as part of personnel services expense. At June 30, 2024, NYCEDC reported deferred inflows and outflows of resources related to OPEB from the following sources (dollars in thousands):

| | Deferred Inflows | Deferred Outflows |
|--|-----------------------------|------------------------------|
| Difference between expected and actual experience | \$ 273 | \$ 1,365 |
| Changes in assumptions | 4,751 | 2,812 |
| Difference between projected and actual investment earnings/loss | 415 | 2,139 |
| | \$ 5,439 | \$ 6,316 |

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

| | |
|----------------------------|--------|
| Fiscal year ended June 30: | |
| 2025 | \$ 360 |
| 2026 | 370 |
| 2027 | 65 |
| 2028 | 82 |
| 2029 and thereafter | — |
| | \$ 877 |

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

Notes to Financial Statements (continued)

16. Blended Component Units

The Corporation's operations include blended component units which are included in the Corporation's basic financial statements. The Corporation includes these entities as blended component units as: (1) the Corporation and these entities have financial benefit and burden relationships and (2) the Corporation has operational responsibility for these entities. The blended component units include:

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. It commenced business operations on July 1, 2016.

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. Additionally, under Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA), the federal government's share of insured losses gradually decreases from 85% to 80%, dropping one percent annually beginning on January 1, 2016. During 2019, TRIA was extended again by the U.S. Treasury through 2027 with a loss trigger of \$200,000,000 and coinsurance protection of 80% for calendar year 2020 going forward.

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

Notes to Financial Statements (continued)

16. 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.

Statement of Net Position

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

| | 2024 | 2023 |
|--------------------|-------------|-------------|
| Total assets | \$ 5,448 | \$ 4,523 |
| Total liabilities | 14 | 10 |
| Total net position | \$ 5,434 | \$ 4,513 |

Statement of Revenues, Expenses, and Changes in Net Position

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

| | 2024 | 2023 |
|--|-------------|-------------|
| Operating revenues | \$ 1,026 | \$ 755 |
| Operating expenses | 105 | 101 |
| Operating income | 921 | 654 |
| Change in net position | 921 | 654 |
| Total net position, beginning of fiscal year | 4,513 | 3,859 |
| Total net position, end of fiscal year | \$ 5,434 | \$ 4,513 |

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

Notes to Financial Statements (continued)

16. 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 The 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.

Statement of Net Position

The following table summarizes ESLSF's financial position at June 30, 2024 and 2023 (dollars in thousands):

| | 2024 | 2023 |
|--------------------|-------------|-------------|
| Total assets | \$ 2,848 | \$ 4,332 |
| Total liabilities | 800 | 800 |
| Total net position | \$ 2,048 | \$ 3,532 |

Statement of Revenues, Expenses, and Changes in Net Position

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

| | 2024 | 2023 |
|--|-------------|-------------|
| Operating revenues | \$ 77 | \$ – |
| Operating expenses | – | – |
| Operating income (loss) | 77 | – |
| Non-operating income | 57 | 37 |
| Interfund transfers | (1,618) | – |
| Change in net position | (1,484) | 37 |
| Total net position, beginning of fiscal year | 3,532 | 3,495 |
| Total net position, end of fiscal year | \$ 2,048 | \$ 3,532 |

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

Notes to Financial Statements (continued)

16. Blended Component Units (continued)

New York City Entrepreneurial Fund LLC

The New York City Entrepreneurial Fund LLC (NYCEF) 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.

Statement of Net Position

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

| | 2024 | 2023 |
|--------------------|-------------|-------------|
| Total assets | \$ 200 | \$ 200 |
| Total liabilities | — | — |
| Total net position | \$ 200 | \$ 200 |

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes NYCEF’s change in net position for the fiscal years ended June 30 (dollars in thousands):

| | 2024 | 2023 |
|--|-------------|-------------|
| Operating revenues | \$ — | \$ — |
| Operating expenses | — | 125 |
| Operating income (loss) | — | (125) |
| Non-operating income | — | — |
| Change in net position | — | (125) |
| Total net position, beginning of fiscal year | 200 | 325 |
| Total net position, end of fiscal year | \$ 200 | \$ 200 |

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

Notes to Financial Statements (continued)

16. 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 is reflected as operating costs of NYCFF.

Statement of Net Position

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

| | 2024 | 2023 |
|--------------------|-------------|-------------|
| Total assets | \$ 188,468 | \$ 197,790 |
| Total liabilities | — | — |
| Total net position | \$ 188,468 | \$ 197,790 |

Statement of Revenues, Expenses, and Changes in Net Position

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

| | 2024 | 2023 |
|---------------------------------------|-------------|-------------|
| Operating revenues | \$ — | \$ — |
| Operating expenses | 9,322 | 9,322 |
| Operating loss | (9,322) | (9,322) |
| Change in net position | (9,322) | (9,322) |
| Total net position, beginning of year | 197,790 | 207,112 |
| Total net position, end of year | \$ 188,468 | \$ 197,790 |

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

Notes to Financial Statements (continued)

16. 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, well-being 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.

Statement of Net Position

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

| | 2024 | 2023 |
|--------------------|-------------|-------------|
| Total assets | \$ 1,042 | \$ 968 |
| Total liabilities | 971 | 934 |
| Total net position | \$ 71 | \$ 34 |

Statement of Revenues, Expenses, and Changes in Net Position

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

| | 2024 | 2023 |
|--|-------------|-------------|
| Operating revenues | \$ — | \$ — |
| Operating expenses | — | — |
| Operating income | — | — |
| Non-operating income | 37 | 24 |
| Change in net position | 37 | 24 |
| Total net position, beginning of fiscal year | 34 | 10 |
| Total net position, end of fiscal year | \$ 71 | \$ 34 |

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

Notes to Financial Statements (continued)

16. Blended Component Units (continued)

NYC COVID-19 Response, LLC

The NYC COVID-19 Response LLC (NYCCR) was formed in March 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.

Statement of Net Position

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

| | 2024 | 2023 |
|--------------------|-------------|-------------|
| Total assets | \$ — | \$ 19,144 |
| Total liabilities | — | 19,144 |
| 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 years ended June 30 (dollars in thousands):

| | 2024 | 2023 |
|--|---------------|-------------|
| Operating revenues | \$ 643 | \$ 447 |
| Operating expenses | 643 | 447 |
| Operating income (loss) | — | — |
| Non-operating income (loss) | — | — |
| Change in net position | — | — |
| Total net position, beginning of fiscal year | — | — |
| Total net position, end of fiscal year | \$ — | \$ — |

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

Notes to Financial Statements (continued)

17. 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 the leasing and selling of certain City-owned properties. No fees were established between NYCEDC and LDC in the current fiscal year. Instead, the Corporation provides LDC with operating grant funding for LDC's general and administrative expenses. For the fiscal years ended June 30, 2024 and 2023, \$2,018 and \$2,022, respectively, was provided to LDC for such expenses.

New York City Industrial Development Agency (IDA)

IDA was established in 1974 as a public benefit corporation of The State. NYCEDC is responsible for administering the economic development programs of IDA. For each of the fiscal years ended June 30, 2024 and 2023, the Corporation earned management fee income from IDA of \$4.4 million. At June 30, 2024 and 2023, the amount due from IDA totaled \$0.4 million and \$1.5 million, respectively.

Build NYC Resource Corporation (Build NYC)

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an annual agreement between NYCEDC and Build NYC, the Corporation provides management services to Build NYC and administers its financial books and records. For each of the fiscal years ended June 30, 2024 and 2023, NYCEDC earned management fee income from Build NYC of \$2.2 million. At June 30, 2024 and 2023, the amount due from Build NYC totaled \$5,700, and \$11,047, respectively.

The Trust for Cultural Resources of New York City (TCR)

Pursuant to an annual agreement between NYCEDC and TCR, a public benefit corporation created pursuant to Articles 20 and 21 of the New York Arts and Cultural Affairs Law, the Corporation provides TCR with management services. For each of the fiscal years ended June 30, 2024 and 2023, NYCEDC earned management fees of \$0.3 million from TCR. At June 30, 2024 and 2023, the amount due from TCR totaled zero and \$22,713, respectively.

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

Notes to Financial Statements (continued)

17. Other Related-Party Transactions (continued)

New York City Neighborhood Capital Corporation (NCC)

NCC is a not-for-profit corporation organized under the NPCL. NCC has all power and authority to make qualified low-income community investments in The City of New York and to allocate federal tax credits for this purpose. NYCEDC provided full management services to NCC, and no fees were charged for these services for the fiscal years ended June 30, 2024 and 2023. At June 30, 2024 and 2023, the amounts due from NCC for the reimbursement of costs paid by the Corporation on behalf of NCC totaled \$590 and \$250, respectively.

Public Realm Improvement Fund Governing Group Inc. (PRIF)

PRIF, which was incorporated under NPCL and commenced operation in 2017, 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. The Corporation provided full management services to PRIF, and no fees were charged for these services for fiscal years ended June 30, 2024 and 2023. At June 30, 2024 and 2023, the amounts due from PRIF for the reimbursement of costs paid by NYCEDC on behalf of PRIF, totaled \$50,746 and \$34,634, respectively.

18. 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 NYC Ferry system. HNY was subsequently re-procured in October 2023. Under the contracts, NYCEDC reimburses HNY for the cost of fuel, for which the price per gallon is subject to market conditions. Consequently, the Corporation was authorized by its Board of Directors to implement an energy price risk management program to manage NYCEDC's exposure to the cost of fuel for NYC Ferry.

NYCEDC enters into all fuel hedging arrangements for the sole purpose of hedging against cash flow fluctuations and increasing budgetary certainty. NYCEDC is represented in these transactions by an advisor and designated evaluation agent, also known as a qualified independent representative (QIR).

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

Notes to Financial Statements (continued)

18. 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. NYCEDC uses exchange-traded diesel fuel futures contracts as its hedging instrument. With this, the New York Mercantile Exchange Clearing House is the financial counterparty. Due to a high level of regulation of the U.S. futures markets, the risk of exchange clearing house default is extremely remote.

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. As of June 30, 2024 and 2023, NYCEDC did not own any swap or call option contracts.

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

Notes to Financial Statements (continued)

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

As of June 30, 2024, 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, 2024 | Average Futures Price \$/Gallon |
|------------------|--------------------------------|------------------------|------------------|-----------------------------|--|
| | 336,000 | 8 | July-24 | \$ (31,256) | \$ 2.6262 |
| | 294,000 | 7 | August-24 | 10,597 | 2.5129 |
| | 336,000 | 8 | September-24 | 10,899 | 2.5234 |
| | 294,000 | 7 | October-24 | 26,208 | 2.4683 |
| | 294,000 | 7 | November-24 | 38,690 | 2.4200 |
| | 294,000 | 7 | December-24 | 21,575 | 2.4786 |
| | 252,000 | 6 | January-25 | 15,590 | 2.4834 |
| | 294,000 | 7 | February-25 | 20,891 | 2.4604 |
| | 294,000 | 7 | March-25 | 22,710 | 2.4329 |
| | 336,000 | 8 | April-25 | 7,417 | 2.4731 |
| | 336,000 | 8 | May-25 | 13,776 | 2.4425 |
| | 336,000 | 8 | June-25 | 20,882 | 2.4188 |
| | 378,000 | 9 | July-25 | 37,762 | 2.3800 |
| | 294,000 | 7 | August-25 | 37,439 | 2.3529 |
| Total fair value | | | | <u>\$ 253,180</u> | |

Additionally, as a qualified operator of passenger commuter ferries providing local transit service within New York State, NYC Ferry participates in The State's petroleum business and sales tax reimbursement programs. For the year ending June 30, 2024, \$1.8 million was recognized as an offset to Ferry related expenses, net, for rebates received.

19. Commitments and Contingencies

As of June 30, 2024, NYCEDC has an aggregate contractual commitment of \$408.4 million under different self-funded economic development initiatives and projects, including but not limited to the NYC Ferry system and cybersecurity initiatives.

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

Notes to Financial Statements (continued)

19. Commitments and Contingencies (continued)

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, 2024, NYCEDC's aggregate remaining commitments for these programs is \$62.2 million.

NYCEDC was the co-trustee along with 42nd Street Development Corporation (a subsidiary of New York State Urban Development Corporation d/b/a Empire State Development Corporation (ESDC)) for the use of certain development funds under the 42nd Street Development Project. The trustees jointly extended a loan to the New Amsterdam Development Corporation (NADC) for renovation of the New Amsterdam Theatre. The principal loan amount of \$25.6 million was equally disbursed by the trustees and matures on January 31, 2027. Interest on the loan has ranged between 3.0% and 3.5%. NYCEDC's portion of the loan, \$12.8 million, was reimbursed to the Corporation 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, and in certain situations as co-defendant with The City, LDC, NYC Ferry Fleet LLC and/or IDA 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.

20. 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. The Corporation uses several methods to mitigate these risks, including but not limited to loss prevention/risk engineering, contractual risk transfer, and the use 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)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-----------|------------|------------|-----------|------------|------------|-----------|-----------|
| Total OPEB liability: | | | | | | | | |
| Service cost | \$ 239 | \$ 344 | \$ 473 | \$ 407 | \$ 380 | \$ 531 | \$ 561 | \$ 613 |
| Interest | 946 | 856 | 832 | 897 | 816 | 704 | 666 | 593 |
| Changes of benefit terms | – | – | – | – | 900 | – | – | – |
| Difference between expected and actual experience | 1,428 | (185) | (277) | (99) | 1,440 | (206) | (103) | – |
| Changes in assumptions | 2,579 | (1,963) | (7,483) | 2,379 | (1,177) | (3,180) | (147) | (1,565) |
| Benefit payments | (356) | (375) | (408) | (330) | (208) | (201) | (225) | (225) |
| Net change in total OPEB liability | 4,836 | (1,323) | (6,863) | 3,254 | 2,151 | (2,352) | 752 | (584) |
| Total OPEB liability – beginning | 16,430 | 17,753 | 24,616 | 21,362 | 19,211 | 21,563 | 20,811 | 21,395 |
| Total OPEB liability – ending (a) | \$ 21,266 | \$ 16,430 | \$ 17,753 | \$ 24,616 | \$ 21,362 | \$ 19,211 | \$ 21,563 | \$ 20,811 |
| Total fiduciary net position: | | | | | | | | |
| Contributions – employer | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ 20,000 | \$ – |
| Net investment income | 1,588 | 369 | (3,470) | 1,294 | 2,434 | 1,195 | – | – |
| Administrative expenses paid by the Trust | (120) | (96) | (116) | (98) | (36) | – | – | – |
| Benefit payments | (356) | (375) | (408) | (330) | – | – | – | – |
| Benefits and expenses payable | – | – | – | – | (524) | – | – | – |
| Net change in fiduciary net position | 1,112 | (102) | (3,994) | 866 | 1,874 | 1,195 | 20,000 | – |
| Trust fiduciary net position – beginning | 19,839 | 19,941 | 23,935 | 23,069 | 21,195 | 20,000 | – | – |
| Trust fiduciary net position – ending (b) | \$ 20,951 | \$ 19,839 | \$ 19,941 | \$ 23,935 | \$ 23,069 | \$ 21,195 | \$ 20,000 | \$ – |
| Corporation’s net OPEB (asset) liability – end of fiscal year (a-b) | \$ 315 | \$ (3,409) | \$ (2,188) | \$ 681 | \$ (1,707) | \$ (1,984) | \$ 1,563 | \$ 20,811 |
| Trust fiduciary net position as a percentage of the total OPEB liability | 99% | 121% | 112% | 97% | 108% | 110% | 93% | –% |

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

New York City Economic Development Corporation
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Schedule of Changes in Net OPEB Liability (continued)
(In Thousands)

Notes to Schedule

Changes of Assumptions:

1. The per capita claims costs used in the valuation were based on the revised census as of July 1, 2023 and 2024 plan self-funded budget and full insured premium rates.
2. Discount rate was changed from 5.74% at June 30, 2023, to 5.26% at June 30, 2024.
3. Healthcare cost trend rate assumptions changed from an initial rate of 7.55% for Non-Medicare and 7.15% for Medicare benefits grading down to an ultimate rate of 4.75% in FY2030 to an initial rate of 8.60% for Non-Medicare and 7.85% for Medicare benefits grading down to an ultimate rate of 4.75% in FY2032.
4. The plan election assumption for future retirees and pre-65 retirees were updated from 100% selecting the MAPD plan to two-thirds electing the MAPD plan and one-third electing the Active Plan.

New York City Economic Development Corporation
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Schedule of OPEB Contributions
(In Thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|------------------|-------------|
| Actuarially determined contribution | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 20,000 | \$ — |
| Contributions in relation to the actuarially determined contribution | — | — | — | — | — | — | — | — |
| Contribution deficiency (excess) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 20,000</u> | <u>\$ —</u> |
| Covered-employee payroll | \$ 7,478 | \$ 7,380 | \$ 7,903 | \$ 8,031 | \$ 8,405 | \$ 8,018 | \$ 8,231 | \$ 7,895 |
| Contributions as a percentage of covered-employee payroll | —% | —% | —% | —% | —% | —% | 243% | 264% |

Valuation dates: June 30, 2024

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

CPI: 3.0% per annum

Salary increases: 4.25% per annum

Investment rate of return: 5.75% for 2024

Health care trend rates: 8.60% grading down to an ultimate rate of 4.75% for Non-Medicare, 7.85% grading down to an ultimate rate of 4.75% for Medicare

Mortality: Based on the Pub-2010 Above Median Headcount Weighted General Mortality table published by the Society of Actuaries in 2021. The mortality improvement scale was updated to the MP-2021 scale.

Benefit changes: Since the prior full valuation, assumed contributions for all future retirees were increased from \$50.00 monthly for single and \$100.00 monthly for family to \$60.00 monthly for single and \$120.00 monthly for family. These amounts are not assumed to increase in future years, and the change, effective September 1, 2022, has been reflected as of June 30, 2022 and valued as an assumption change.

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

New York City Economic Development Corporation
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Schedule of Investment Returns

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 7.8% | 1.8% | (15.8)% | 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)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
(In Thousands)

| | Total Unrestricted | Maritime Fund | NYC Ferry | NYC Adjustment | Total Maritime and NYC Ferry | NYC Ferry Fleet, LLC | Brooklyn Army | Other Properties | Finance Programs | Capital Programs | Public Purpose and Other Fund | Apple 42nd Street | Total | Adjustments for GASB 87 | June 30, 2024 | June 30, 2023 |
|--|--------------------|---------------|--------------|----------------|------------------------------|----------------------|---------------|------------------|------------------|------------------|-------------------------------|-------------------|------------|-------------------------|---------------|---------------|
| Operating revenues: | | | | | | | | | | | | | | | | |
| Grants | \$ 106,579 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 808,762 | \$ 2,202 | \$ - | \$ 917,543 | \$ - | \$ 917,543 | \$ 838,705 |
| Property rentals | 59,005 | 93,507 | - | - | 93,507 | - | 34,095 | 4,776 | - | - | - | 76,772 | 268,155 | (18,458) | 249,697 | 203,943 |
| Ferry related revenues | - | - | 22,749 | (22,749) | - | - | - | - | - | - | - | - | - | - | - | - |
| Fee income | 10,772 | 71 | - | - | 71 | - | 170 | - | - | - | 12 | 97 | 11,122 | - | 11,122 | 15,734 |
| Other income | 5,488 | 8,909 | 1,553 | (1,553) | 8,909 | - | 5,034 | 59 | 338 | - | 8,862 | 438 | 29,128 | - | 29,128 | 36,434 |
| Other income – 42nd Street | 49,303 | - | - | - | - | - | - | - | - | - | - | (49,303) | - | - | - | - |
| Total operating revenues | 231,147 | 102,487 | 24,302 | (24,302) | 102,487 | - | 39,299 | 4,835 | 338 | 808,762 | 11,076 | 28,004 | 1,225,948 | (18,458) | 1,207,490 | 1,094,816 |
| Operating expenses: | | | | | | | | | | | | | | | | |
| Project costs | 100,869 | - | - | - | - | - | - | - | - | - | 11,629 | - | 112,498 | - | 112,498 | 154,774 |
| Program costs | - | - | - | - | - | - | - | - | 532 | 808,762 | - | - | 809,294 | - | 809,294 | 685,937 |
| Property rentals and related operating expenses | 18,432 | 53,819 | - | - | 53,819 | - | 21,112 | 4,993 | - | - | - | 3,865 | 102,221 | (1,428) | 100,793 | 91,467 |
| Ferry related expenses | - | - | 79,498 | (24,302) | 55,196 | - | - | - | - | - | - | - | 55,196 | - | 55,196 | 41,190 |
| Personnel Services | 70,208 | 9,352 | - | - | 9,352 | - | 2,350 | 475 | 204 | - | 989 | 889 | 84,467 | - | 84,467 | 73,140 |
| Contract and other expenses to The City | 1,733 | - | - | - | - | - | - | - | - | - | 139 | 25,405 | 27,277 | - | 27,277 | 28,124 |
| Office rent | 11,726 | - | - | - | - | - | - | - | - | - | - | - | 11,726 | (11,726) | - | - |
| Interest expense – leases | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,013 | 4,013 | 4,129 |
| Depreciation and amortization | 5,433 | 384 | - | - | 384 | 9,321 | 887 | - | - | - | - | - | 16,025 | 12,261 | 28,286 | 29,042 |
| Other general expenses | 17,147 | 3,335 | - | - | 3,335 | - | 1,910 | - | 344 | - | 16 | - | 22,752 | (210) | 22,542 | 18,359 |
| Total operating expenses | 225,548 | 66,890 | 79,498 | (24,302) | 122,086 | 9,321 | 26,259 | 5,468 | 1,080 | 808,762 | 12,773 | 30,159 | 1,241,456 | 2,910 | 1,244,366 | 1,126,162 |
| Operating income (loss) | 5,599 | 35,597 | (55,196) | - | (19,599) | (9,321) | 13,040 | (633) | (742) | - | (1,697) | (2,155) | (15,508) | (21,368) | (36,876) | (31,346) |
| Non-operating revenues (expenses): | | | | | | | | | | | | | | | | |
| Income (loss) from Investments | 16,018 | 1,073 | - | - | 1,073 | - | - | 676 | 1,910 | - | 2,023 | 428 | 22,128 | - | 22,128 | 9,996 |
| Interest revenue – leases | - | - | - | - | - | - | - | - | - | - | - | - | - | 52,744 | 52,744 | 53,883 |
| Non-operating income/(expense) | - | 23 | - | - | 23 | - | (359) | - | - | - | - | - | (336) | - | (336) | - |
| Total non-operating revenues (expenses): | 16,018 | 1,096 | - | - | 1,096 | - | (359) | 676 | 1,910 | - | 2,023 | 428 | 21,792 | 52,744 | 74,536 | 63,879 |
| Income before transfers | 21,617 | 36,693 | (55,196) | - | (18,503) | (9,321) | 12,681 | 43 | 1,168 | - | 326 | (1,727) | 6,284 | 31,376 | 37,660 | 32,533 |
| Interfund transfers | (10,163) | (37,103) | 37,103 | - | - | - | (13,939) | - | - | - | (29) | 24,131 | - | - | - | - |
| Change in net position | 11,454 | (410) | (18,093) | - | (18,503) | (9,321) | (1,258) | 43 | 1,168 | - | 297 | 22,404 | 6,284 | 31,376 | 37,660 | 32,533 |
| Total net position, beginning of fiscal year | 473,740 | 8,813 | (112,743) | - | (103,930) | 197,790 | 13,881 | 4,379 | 49,086 | 3,012 | 48,651 | - | 686,609 | (11,910) | 674,699 | 642,166 |
| Total unrestricted net position, end of fiscal year | 430,176 | 7,000 | (130,836) | - | (123,836) | - | - | - | - | - | - | - | 306,340 | 24,763 | 331,103 | 335,524 |
| Total restricted net position, end of fiscal year | - | - | - | - | - | - | 500 | 4,422 | 50,254 | 3,012 | 48,948 | 22,404 | 129,540 | 34,133 | 163,673 | 109,012 |
| Total net investment in capital assets, end of fiscal year | 55,018 | 1,403 | - | - | 1,403 | 188,469 | 12,123 | - | - | - | - | - | 257,013 | (39,430) | 217,583 | 230,163 |
| Total net position, end of fiscal year | \$ 485,194 | \$ 8,403 | \$ (130,836) | \$ - | \$ (122,433) | \$ 188,469 | \$ 12,623 | \$ 4,422 | \$ 50,254 | \$ 3,012 | \$ 48,948 | \$ 22,404 | \$ 692,893 | \$ 19,466 | \$ 712,359 | \$ 674,699 |

III. 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 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the fiduciary activities of the New York City Economic Development Corporation (the Corporation), a component unit of The City of New York, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated September 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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, 2024