

New York City Industrial Development Agency
(a component unit of The City of New York)

**Financial Statements and
Required Supplementary Information**

**Years Ended June 30, 2024 and 2023
With Reports of Independent Auditors**



NYCIDA

New York City Industrial Development Agency

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

Financial Statements and Required Supplementary Information

Years Ended June 30, 2024 and 2023

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I. Financial Section



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Report of Independent Auditors

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

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 Industrial Development Agency (the Agency), 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 Agency'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 Agency 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 Agency, 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 Agency'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 Agency'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 Agency'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 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

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

Ernst + Young LLP

September 30, 2024

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

Management's Discussion and Analysis

June 30, 2024 and 2023

This section of The New York City Industrial Development Agency's (IDA or the Agency) annual financial report presents our discussion and analysis of financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the financial statements and accompanying notes which follow this section.

2024 Financial Highlights

- Current assets decreased \$0.8 million (or 4%)
- Non-current assets increased \$2.3 million (or 41%)
- Current liabilities decreased \$0.2 million (or 3%)
- Operating revenues increased \$3.9 million (or 150%)
- Operating income increased \$3.8 million (or 194%)
- Change in net position was \$1.7 million in fiscal year 2024, as compared to (\$3.5) million in fiscal year 2023

Overview of the Financial Statements

This annual financial report consists of two parts: Management's Discussion and Analysis (this section), and the *Basic Financial Statements*, which include footnote disclosures. IDA is considered a component unit of The City of New York (The City) for financial reporting purposes and is a public benefit corporation established by the laws of The State of New York (The State). IDA was established in 1974 to actively promote, retain, attract, encourage, and develop an economically sound commerce and industry base to prevent unemployment and economic deterioration in The City.

IDA is a self-supporting entity and follows enterprise fund reporting. Enterprise fund statements offer short-term and long-term financial information about the Agency's activities.

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Management’s Discussion and Analysis (continued)

Financial Analysis of the Business-Type Activities of the Agency

Net Position – The following table summarizes IDA’s financial position at June 30, 2024, 2023, and 2022 and the percentage change between June 30, 2024, 2023, and 2022 (dollars in thousands):

	2024	2023	2022	% Change	
				2024–2023	2023–2022
Current assets	\$ 21,018	\$ 21,822	\$ 21,556	(4)%	1%
Non-current assets	7,981	5,680	8,620	41	(34)
Total assets	<u>28,999</u>	<u>27,502</u>	<u>30,176</u>	<u>5</u>	<u>(9)</u>
Current liabilities	<u>5,755</u>	<u>5,945</u>	<u>5,141</u>	<u>(3)</u>	<u>16</u>
Total liabilities	<u>5,755</u>	<u>5,945</u>	<u>5,141</u>	<u>(3)</u>	<u>16</u>
Total net position	<u>\$ 23,244</u>	<u>\$ 21,557</u>	<u>\$ 25,035</u>	<u>8</u>	<u>(14)</u>

Fiscal Year 2024 Activities

Total assets increased by \$1.5 million or 5% mainly due to operating income generated of \$1.9 million during fiscal year 2024. Of the Agency’s total assets, non-current assets increased by \$2.3 million or 41% due to \$2.3 million of previously short-term investments being reinvested into long-term securities upon maturity.

Total current liabilities decreased by \$0.2 million or 3% primarily due to (1) the timing of expenses incurred and payments made to the New York City Economic Development Corporation for reimbursement of costs paid on the Agency’s behalf and (2) the increase of deposits received in fiscal year 2024 for future closings.

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Management's Discussion and Analysis (continued)

Fiscal Year 2023 Activities

Total assets decreased by \$2.7 million or 9% mainly due to a loss from operations and payment of approximately \$1.3 million of special project costs during fiscal year 2023. Of the Agency's total assets, non-current assets decreased by \$2.9 million or 34% due to \$2.9 million of previously long-term investments becoming current.

Total current liabilities increased by \$0.8 million or 16% primarily due to the increase of \$0.8 million in special project costs incurred and owed to NYC Economic Development Corporation.

Operating Activities

The Agency assists industrial and commercial participants through a "straight lease" transactional structure which provides tax benefits to participants to incentivize the acquisition and capital improvement of their facilities. Apart from the issuance of bonds to refund governmental bonds (including bonds for Yankee Stadium, LLC and Queens Baseball Stadium), the Agency has chosen not to issue new bonds. In addition to the issuance of tax-exempt and taxable bonds for certain transactions, the Agency may provide one or more of the following tax benefits: partial exemption from mortgage recording tax; payments in lieu of real property taxes (PILOT) that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment. During the years ended June 30, 2024 and 2023, IDA did not issue any tax-exempt bonds.

The Agency charges various program fees, including application fees, financing fees, compliance monitoring fees, and post-closing fees. In certain circumstances, the Agency may also charge servicing fees on any recapture of benefits from companies defaulting on their compliance requirements for IDA benefits.

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Management's Discussion and Analysis (continued)

Operating Activities (continued)

The following table summarizes IDA's changes in net position for fiscal years 2024, 2023 and 2022 and the percentage change between June 30, 2024, 2023 and 2022 (dollars in thousands):

	2024	2023	2022	% Change	
				2024-2023	2023-2022
Operating revenues:					
Fee income	\$ 6,356	\$ 2,482	\$ 2,860	156%	(13)%
Other income	77	89	510	(14)	(83)
Total operating revenues	6,433	2,571	3,370	150	(24)
Operating expenses:					
Management fees	4,400	4,400	4,400	—	—
Other expenses	172	159	176	8	(10)
Total operating expenses	4,572	4,559	4,576	—	—
Operating income (loss)	1,861	(1,988)	(1,206)	194	65
Non-operating (expenses) revenues:					
Investment income (loss)	1,250	562	(126)	122	546
Special project costs	(1,424)	(2,052)	(1,389)	(31)	48
Total non-operating expenses, net	(174)	(1,490)	(1,515)	(88)	(2)
Change in net position	1,687	(3,478)	(2,721)	149	(28)
Beginning net position	21,557	25,035	27,756	(14)	(10)
Ending net position	\$ 23,244	\$ 21,557	\$ 25,035	8	(14)

Fiscal Year 2024 Activities

The Agency's net position increased by \$1.7 million or 8% largely due to operating income of \$1.9 million offset by net non-operating expenses of \$0.2 million.

The Agency's fiscal year 2024 operating income increased by \$3.8 million or 194% as compared to fiscal year 2023 and amounted to \$1.9 million. This increase in operating income was largely due to an increase in total finance fees generated of \$3.9 million, largely related to the closing of two transactions from the Sunnyside Studios Owner, LLC and 174 Power Global/East River ESS LLC projects.

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Management's Discussion and Analysis (continued)

Fiscal Year 2024 Activities (continued)

Special project costs decreased by \$0.6 million or 31% primarily due to \$0.6 million of expenses incurred for the Kingsbridge Armory Visioning project during fiscal year 2023.

Fiscal Year 2023 Activities

The Agency's net position decreased by \$3.5 million or 14% largely due to the operating loss of \$2.0 million and special project costs recognized of \$2.1 million.

The Agency's fiscal year 2023 operating loss increased by \$0.8 million or 65% as compared to fiscal year 2022 and amounted to \$2.0 million. This loss was incurred due to the following: (1) a decrease in finance fees and post-closing fees of \$0.4 million, and (2) a decrease of recapture income of \$0.4 million.

Special project costs increased by \$0.7 million or 48% primarily due to \$0.6 million of expenses incurred for the Kingsbridge Armory Visioning project during fiscal year 2023.

Contacting the Agency's Financial Management

This financial report is designed to provide our customers, clients, creditors, and the public with a general overview of the Agency's finances and to demonstrate the Agency'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, New York City Industrial Development Agency, One Liberty Plaza, New York, NY 10006.

New York City Industrial Development Agency
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Statements of Net Position
(In Thousands)

	June 30	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents <i>(Note 3)</i>	\$ 3,188	\$ 1,282
Investments <i>(Note 3)</i>	14,516	17,248
Restricted cash	3,051	3,079
Fees receivable, net of allowance for doubtful accounts of \$11 and \$63, respectively	157	213
Other assets	106	–
Total current assets	21,018	21,822
Non-current assets:		
Investments <i>(Note 3)</i>	7,981	5,680
Total non-current assets	7,981	5,680
Total assets	28,999	27,502
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	69	72
Due to New York City Economic Development Corporation	402	1,522
Unearned revenues	2,162	1,167
Other liabilities	3,122	3,184
Total current liabilities	5,755	5,945
Total liabilities	5,755	5,945
Net position – unrestricted	\$ 23,244	\$ 21,557

See accompanying notes.

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

	Year Ended June 30	
	2024	2023
Operating revenues:		
Fee income <i>(Note 2)</i>	\$ 6,356	\$ 2,482
Recapture and other related benefits <i>(Note 2)</i>	16	64
Other income <i>(Note 2)</i>	61	25
Total operating revenues	6,433	2,571
Operating expenses:		
Management fees <i>(Note 4)</i>	4,400	4,400
Other expenses	172	159
Total operating expenses	4,572	4,559
Operating income (loss)	1,861	(1,988)
Non-operating revenues (expenses):		
Investment income	1,250	562
Special project costs <i>(Note 5)</i>	(1,424)	(2,052)
Total non-operating expenses, net	(174)	(1,490)
Change in net position	1,687	(3,478)
Net position, unrestricted, beginning of year	21,557	25,035
Net position, unrestricted, end of year	\$ 23,244	\$ 21,557

See accompanying notes.

New York City Industrial Development Agency
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Statements of Cash Flows
(In Thousands)

	Year Ended June 30	
	2024	2023
Cash flows from operating activities		
Financing and other fees	\$ 7,426	\$ 2,824
Management fees paid	(4,767)	(4,033)
Other expenses paid	(165)	(171)
Recapture benefits and other penalties received	8,598	90
Payment to NYC and other agencies of recaptured benefits	(8,588)	(284)
Payment to EDC for contingency fees	(1)	(20)
Other	(6)	14
Net cash provided by (used in) operating activities	2,497	(1,580)
Cash flows from investing activities		
Sale of investments	17,199	12,944
Purchase of investments	(16,417)	(14,167)
Investment income	793	33
Net cash provided by (used in) investing activities	1,575	(1,190)
Cash flows from non-capital financing activities		
Special project costs paid	(2,194)	(1,613)
Net cash used in non-capital financing activities	(2,194)	(1,613)
Net increase (decrease) in cash and cash equivalents	1,878	(4,383)
Cash and cash equivalents at beginning of year	4,361	8,744
Cash and cash equivalents at end of year	\$ 6,239	\$ 4,361

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Statements of Cash Flows (continued)
(In Thousands)

	Year Ended June 30	
	2024	2023
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 1,861	\$ (1,988)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Provision for bad debt	-	2
Changes in operating assets and liabilities:		
Fees receivable	56	43
Accounts payable and accrued expenses	(3)	(27)
Due to NYC Economic Development Corp.	(350)	362
Other liabilities	(62)	(290)
Unearned revenues	995	318
Net cash provided by (used in) operating activities	\$ 2,497	\$ (1,580)
 Supplemental disclosures of non-cash activities		
Unrealized gain on investments	\$ 505	\$ 18

See accompanying notes.

New York City Industrial Development Agency
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Statements of Fiduciary Net Position
(In Thousands)

	Custodial Funds	
	June 30	
	2024	2023
Assets		
Cash and cash equivalents	\$ 847	\$ 496
Total assets	847	496
Liabilities		
PILOT payable	847	496
Total liabilities	847	496
Net position – restricted	\$ –	\$ –

See accompanying notes.

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Statements of Changes in Fiduciary Net Position
(In Thousands)

	Custodial Funds	
	Year Ended June 30	
	2024	2023
Additions		
PILOT collections	\$ 26,602	\$ 35,709
Total additions	<u>26,602</u>	<u>35,709</u>
Deductions		
PILOT payments disbursed	25,755	35,213
PILOT payments pending disbursement	847	496
Total deductions	<u>26,602</u>	<u>35,709</u>
Net increase in fiduciary net position	—	—
Net position – beginning of year	—	—
Net position – end of year	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes.

New York City Industrial Development Agency
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Notes to Financial Statements

June 30, 2024 and 2023

1. Background and Organization

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

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

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

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

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

1. Background and Organization (continued)

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

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

The total governmental and PAB debt obligations outstanding totaled \$2.18 billion and \$2.25 billion for the years ended June 30, 2024 and 2023, respectively. For more detailed information, please refer to the following website: <https://www.edc.nyc/nycida/financial-public-documents>.

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

In addition to PAB financing, the Agency also issued governmental Tax-Exempt PILOT Revenue Bonds and Taxable Rental Revenue Bonds, Taxable Installment Purchase Bonds and Taxable Lease Revenue Bonds in connection with the construction of the new Yankee Stadium and Citi Field (the Stadia Projects). Yankee Stadium, LLC, a Delaware limited liability company, and Queens Ballpark, LLC, a New York limited liability company, undertook the design, development,

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Notes to Financial Statements (continued)

1. Background and Organization (continued)

acquisition, and construction of the Stadia Projects. The Taxable Bonds are special limited obligations of the Agency and are payable solely from revenues derived from a Lease Agreement with Yankee Stadium, LLC and a Lease Agreement and Installment Sales Agreement with Queens Ballpark Company, LLC.

The governmental Tax-Exempt PILOT Bonds are special limited obligations of the Agency payable solely from PILOT revenues derived from PILOTs made by Yankee Stadium, LLC and Queens Ballpark Company, LLC. However, since the Tax-Exempt PILOT Bonds were issued to finance the construction of the Stadia and because the Agency is the legal owner of the Stadia, the Tax-Exempt PILOT Bonds had been recorded in the Agency's books and were reflected in its financial statements. In accordance with GASB Statement No. 91, *Conduit Debt Obligations*, the Tax-Exempt PILOT Bonds are given no accounting recognition in the accompanying financial statements. In addition, no commitments beyond the payments from the PILOT revenues were extended by the Agency for any of these bonds. At June 30, 2024 and 2023, the PILOT Bonds have an aggregate outstanding principal amount payable of \$1.54 billion and \$1.58 billion, respectively.

2. Summary of Significant Accounting Policies

Basis of Accounting

IDA is classified as an "enterprise fund," as defined by the Governmental Accounting Standards Board (GASB) and, as such, the financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

In accordance with GAAP, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue and Expense Classification

Operating revenues consist of fee income from application fees, financing fees, compliance monitoring fees, and post-closing fees. Fees are recognized as earned. Compliance monitoring fees are received annually in advance, deferred, and amortized into income as earned.

Other operating income represents administrative fees and amounts, primarily penalties, associated with the recapture of IDA benefits remitted by certain beneficiaries. Recaptured IDA benefits represent the difference between the full tax amount and the amounts actually paid by beneficiaries and result from a beneficiary's violation of an IDA agreement.

Recaptured benefits are recorded net of amounts due to The City and The State. The related recapture benefits that are due to The City are recorded as other liabilities until such time as they are disbursed to The City. For the year ended June 30, 2024, IDA remitted \$8.2 million and \$0.4 million to The City and The State, respectively, relating to recapture benefits. For the year ended June 30, 2023, IDA remitted \$0.3 million and zero to The City and The State, respectively, relating to recapture benefits. IDA's operating expenses include management fees and other administrative expenses. All other revenues and expenses not described above are considered non-operating.

Cash Equivalents

The Agency considers all highly liquid investments purchased with original maturities of 90 days or less to be cash equivalents.

Investments

Investments held by the Agency are recorded at fair value.

Fiduciary Fund Statements

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position provide information on the Agency's fiduciary activities in Custodial Funds. The Custodial Funds report assets held by the Agency on behalf of The City. The Agency collects PILOT pursuant to the lease agreements between the Agency and its various lessees on behalf of The City and recognizes an offsetting liability payable to The City when the funds are received.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements

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 Agency’s financial statements.

Upcoming Accounting Pronouncements

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 Agency is evaluating the impact this statement will have on its financial statements.

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 Agency is evaluating the impact this statement will have on its financial statements.

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Notes to Financial Statements (continued)

3. Deposits and Investments

Deposits

At year-end, IDA's unrestricted balance held in bank was approximately \$3.2 million. Of this amount, \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was collateralized with securities held by the pledging financial institution.

Investments

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

	Fair Value		2024	
			Investment Maturities (In Years)	
	2024	2023	Less than 1	1 to 2
Money Market	\$ 33	\$ 528	\$ 33	\$ –
Federal Home Loan Bank Notes	11,006	16,312	6,949	4,057
Federal Farm Credit Bank Notes	2,270	4,217	–	2,270
Federal Home Loan Mortgage Co.	7,653	2,297	5,999	1,654
U.S. Treasuries	1,568	–	1,568	–
Certificates of Deposit (over 90 days)	–	102	–	–
Total	<u>22,530</u>	<u>23,456</u>	<u>\$ 14,549</u>	<u>\$ 7,981</u>
Less: investments classified as cash equivalents	<u>(33)</u>	<u>(528)</u>		
Total unrestricted investments	<u>\$ 22,497</u>	<u>\$ 22,928</u>		

Fair Value Measurement – The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

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

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

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

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

Interest Rate Risk: The Agency has a formal investment policy which limits investment maturities to a maximum of two years from the date of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: It is the Agency's policy to limit its investments in debt securities to obligations of the United States and its agencies, and obligations of The State. As of June 30, 2024, the Agency's investments in Federal Home Loan Mortgage Co., Federal Home Loan Bank, Federal Farm Credit Bank, and U.S. Treasuries were rated AA+ by Standard & Poor's, Aaa by Moody's Investor Services, Inc. (Moody's) and AA+ by Fitch Ratings (Fitch). Money market funds were rated Aaa by Moody's and AAA by Fitch.

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

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

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

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

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

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2024		June 30, 2023	
Federal Home Loan Bank	\$ 11,006	49%	\$ 16,312	70%
Federal Farm Credit Bank	2,270	10	4,217	18
Federal Home Loan Mortgage Co.	7,653	34	2,297	10
U.S. Treasuries	1,568	7	–	–

4. Management Fees and Other Charges

To support the activities of the IDA, the Agency annually enters into a contract with the NYCEDC. Under the terms set forth in the contract between NYCEDC and IDA, NYCEDC is to provide IDA with all the professional, administrative, and technical assistance it needs to accomplish its objectives. The fixed annual fee for these services is based on an agreement between NYCEDC and the Agency. Such annual fee amounted to \$4.4 million for each of the years ended June 30, 2024 and 2023.

5. Commitments

Pursuant to various approved agreements between IDA and NYCEDC, IDA was committed to pay for projects being performed by NYCEDC related to The City’s commerce and industrial development (the special project commitments). The total special project commitments under these agreements amounted to approximately \$5.7 million, with an outstanding commitment obligation at June 30, 2024 of approximately \$2.6 million.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

5. Commitments (continued)

The Project Commitments, related approval dates, original and outstanding commitment balances are as follows (in thousands):

Project	Approval Date	Total Commitments	Life-to-date Expenditures	Current Total De-Obligate	Outstanding Commitment
Childcare Innovation Initiative	1/19/21	\$ 100	\$ (75)	\$ (25)	\$ –
Inwood Map Split Services	4/27/21	58	(53)	(5)	–
Citywide Umbrella Mitigation Bank & Bush Terminal Pier 7	11/16/21	200	(173)	–	27
Full stack Cybersecurity Bootcamp Scholarships	4/26/22	400	(371)	(29)	–
New York Protech Piloting Program	6/14/22	500	(201)	–	299
Venture Access NYC Pledge & Survey	7/26/22	275	(168)	–	107
Hunts Point Terminal Produce Market Freight Rail Study	9/20/22	111	(54)	–	57
Kingsbridge Armory Visioning	9/20/22	770	(770)	–	–
LifeSci NYC Internship Program	11/22/22	500	(500)	–	–
Construct NYC Program	2/14/23	338	(200)	–	138
Circular Construction Design Guidelines	3/7/23	200	(199)	(1)	–
Vernon C. Bain Center Site Assessments	6/6/23	295	–	–	295
Sustainability-Based Biotech Industry Study	1/23/24	186	(186)	–	–
Commercial Real Estate Development Disparity Study	1/23/24	598	–	–	598
Long Island City Neighborhood Plan	1/23/24	197	(86)	–	111
Construct NYC Program	3/12/24	640	–	–	640
Offshore Wind & Maritime Career Awareness Fair	3/12/24	20	(3)	–	17
Kips Bay Science District Education & Workforce Vision	6/11/24	350	(49)	–	301
		<u>\$ 5,738</u>	<u>\$ (3,088)</u>	<u>\$ (60)</u>	<u>\$ 2,590</u>

For the years ended June 30, 2024 and 2023, \$1.4 million and \$2.1 million, respectively, have been incurred by the Agency related to the above projects and are included in special project costs on the accompanying statements of revenues, expenses, and changes in net position.

6. Contingencies

IDA, and in certain situations as co-defendant with The City and/or NYCEDC, is involved in personal injury, environmental claims, and other miscellaneous claims and lawsuits. In many of these matters, there is liability coverage insuring IDA, and IDA's clients are, in any case, obligated to indemnify IDA. IDA is unable to predict the outcome of each of these matters but believes that IDA has meritorious defenses or positions with respect thereto. It is management's opinion that, except for the matters noted below, the ultimate resolution of these matters will not be material to IDA.

New York City Industrial Development Agency
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Notes to Financial Statements (continued)

6. Contingencies (continued)

Management believes that the following matters could have a material adverse effect on IDA's operations:

By letters dated January 7, 2009, December 2, 2009, and a Consent Order dated May 22, 2013, the New York State Department of Environmental Conservation (DEC) has notified IDA that DEC will seek contribution from IDA in connection with the remediation, respectively, of three sites in Brooklyn, one site in Long Island City, and another site in Queens that are or were used by clients to which IDA has provided financial assistance. No estimate can be determined at this time. IDA does not carry insurance that would cover any such costs. If IDA is found to have liability, IDA would be entitled to indemnification from these clients. However, IDA believes that the remediation costs will be material and would exceed the clients' ability to meet their indemnity obligations.

IDA is unable to predict the outcome of the matters described above, but believes it has meritorious defenses with respect thereto.

7. Risk Management

IDA is exposed to various risks of loss-related torts; theft of, damage to, and destruction of, assets or property. IDA requires all beneficiaries to indemnify IDA and to purchase and maintain commercial liability and property insurance coverage for these risks and name IDA as an additional insured on liability policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage provided by the beneficiaries in any of the past fiscal years. In addition, IDA is an additional named insured on NYCEDC's general liability policy.

I. *Government Auditing Standards* Section

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

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

We have audited, in accordance with auditing standards generally accepted in the United States 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 Industrial Development Agency (the Agency), 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 Agency's basic 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 Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or 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 Agency’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