

FINANCIAL STATEMENTS

The South Street Seaport Corporation Public Purpose Fund
(Restricted assets of New York City Economic Development
Corporation)

Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP



The South Street Seaport Corporation Public Purpose Fund
(Restricted assets of New York City Economic Development Corporation)

Financial Statements

Years Ended June 30, 2013 and 2012

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Report of Independent Auditors

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

We were engaged to audit the accompanying financial statements of The South Street Seaport Corporation Public Purpose Fund (the “Fund”), restricted assets of the New York City Economic Development Corporation (“NYCEDC”), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

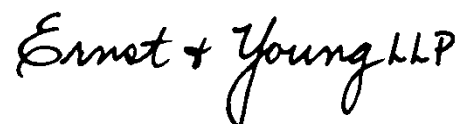
Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Evidence supporting the developer’s contributions received from the Fund’s inception is no longer available. The Fund’s records do not permit the application of other auditing procedures as to the amount of developer’s contributions.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.



September 30, 2013

The South Street Seaport Corporation Public Purpose Fund
(Restricted assets of New York City Economic Development Corporation)

Statements of Net Position

	June 30	
	2013	2012
Assets		
Cash equivalents (<i>Notes 2 and 4</i>)	\$ 4,508	\$ 57,854
Investments (<i>Notes 2 and 5</i>)	234,070	193,104
Due from New York City Economic Development Corporation	170	–
Total assets	<u>238,748</u>	<u>250,958</u>
Liabilities		
Accounts payable and accrued expenses	4,945	3,700
Total liabilities	<u>4,945</u>	<u>3,700</u>
Net position		
Restricted by agreement	<u>\$ 233,803</u>	<u>\$ 247,258</u>

See accompanying notes.

The South Street Seaport Corporation Public Purpose Fund
(Restricted assets of New York City Economic Development Corporation)

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30	
	2013	2012
Operating expenses		
Audit fees	\$ 4,500	\$ 3,700
Project costs	9,260	38,355
Total operating expenses	13,760	42,055
Operating loss	(13,760)	(42,055)
 Non-operating revenues		
Interest income	305	654
Total non-operating revenues	305	654
Change in net position	(13,455)	(41,401)
 Restricted net position, beginning of year	247,258	288,659
Restricted net position, end of year	\$ 233,803	\$ 247,258

See accompanying notes.

The South Street Seaport Corporation Public Purpose Fund
(Restricted assets of New York City Economic Development Corporation)

Statements of Cash Flows

	Year Ended June 30	
	2013	2012
Cash flow from operating activities		
Operating expenses	\$ (12,685)	\$ (42,055)
Net cash used in operating activities	(12,685)	(42,055)
Cash flow from investing activities		
Purchase of investments	(40,966)	–
Sale of investments	–	53,983
Interest income	305	654
Net cash (used in) provided by investing activities	(40,661)	54,637
Net (decrease) increase in cash equivalents	(53,346)	12,582
Cash equivalents – beginning of year	57,854	45,272
Cash equivalents – end of year	\$ 4,508	\$ 57,854
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (13,760)	\$ (42,055)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Changes in assets and liabilities:		
Due from New York City Economic Development	(170)	–
Accounts payable and accrued expenses	1,245	–
Net cash used in operating activities	\$ (12,685)	\$ (42,055)

See accompanying notes.

The South Street Seaport Corporation Public Purpose Fund
(Restricted assets of New York City Economic Development Corporation)

Notes to Financial Statements

June 30, 2013

1. Background and Organization

From its inception, New York City Economic Development Corporation (“Predecessor NYCEDC”) was a local development corporation organized pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York (the “State”). Predecessor NYCEDC was recognized by the IRS as a tax-exempt organization under Internal Revenue Code (“IRC”) Section 501(c)(3), and a wholly owned instrumentality of The City of New York (“The City”). In furtherance of its business objectives, Predecessor NYCEDC was merged with and into New York City Economic Growth Corporation (“EGC”) effective November 1, 2012 and ceased to exist as of that date. EGC is a not-for-profit corporation with its income exempt from federal taxation under IRC Section 115. Upon the merger, EGC’s name was changed to the New York City Economic Development Corporation (“NYCEDC,” “Successor NYCEDC” or “Corporation”).

The South Street Seaport Corporation Public Purpose Fund (the “Fund”) comprises restricted assets of NYCEDC and has no separate legal status or existence (Note 3).

NYCEDC acts as trustee for the City in regard to funds created from savings incurred by developers of certain projects who are exempt from paying New York State and City sales and compensating use taxes relating to construction materials used on City-owned property. This special exemption requires that such developers remit an equivalent amount to NYCEDC in lieu of what would have been otherwise remitted to New York State and the City had no exemption from sales and compensating use taxes been granted. These “tax savings” funds are generally used for the benefit of the project or the surrounding community. As such, the net assets of the Fund are classified in a restricted fund and are not available for use by NYCEDC for corporate purposes.

2. Summary of Significant Accounting Policies

Preparation

The financial statements of the Fund have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States applicable to governments. The accompanying financial statements are not intended to be a complete presentation of the financial statements of NYCEDC.

The South Street Seaport Corporation Public Purpose Fund
(Restricted assets of New York City Economic Development Corporation)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements

Cash Equivalents and Investments

NYCEDC considers all highly liquid financial instruments with original maturity of three months or less to be cash equivalents.

NYCEDC's investment policy permits NYCEDC to invest in various investments, including obligations of the U.S. Treasury, U.S. agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investor's Service, Inc. and certificates of deposit. All investment balances as of June 30, 2013 are recorded at fair value.

Tax Status

NYCEDC is exempt from federal income taxes under IRC Section 115.

3. Trust Agreement

Pursuant to a Trust Agreement (the "Agreement") among The South Street Seaport Corporation ("SSSP"), Seaport Marketplace, Inc, NYCEDC and the City dated December 15, 1981, the tax savings as described in Note 1 are payable to NYCEDC by SSSP and its contractors. NYCEDC records these developer contributions based on information supplied by the various contractors and SSSP in the Fund. The purpose of the Fund is to allocate monies to various South Street Seaport projects. The allocation of the funds is based on the approval of the City's Deputy Mayor for Finance and Economic Development.

There were no developer contributions for the years ended June 30, 2013 or 2012.

Operating expenses for the years ended June 30, 2013 and 2012 were \$13,760 and \$42,055, respectively.

The South Street Seaport Corporation Public Purpose Fund
(Restricted assets of New York City Economic Development Corporation)

Notes to Financial Statements (continued)

4. Cash Equivalents and Investments

The Fund's cash equivalents of \$4,508 and \$57,854 at June 30, 2013 and 2012, respectively, were invested in UBS Financial Services Money Market instruments with original maturity of three months or less.

Investments at June 30, 2013 consist of the following securities with maturities (dollars in thousands):

	Fair Value 2013	Investment Maturities at June 30, 2013 in Years	
		Less than 1	1 to 2
FHLMC notes	\$ 129	\$ 115	\$ 14
FHLB notes	42	42	–
FNMA notes	34	34	–
FFCB notes	29	29	–
Total investments	\$ 234	\$ 220	\$ 14

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. As of June 30, 2013, the Corporation's investments in Federal National Mortgage Association ("FNMA"), Federal Farm Credit Bank (FFCB) and the Federal Home Loan Mortgage Corporation ("FHLMC") were rated AAA by Moody's Investors Service, Standard & Poor's and Fitch Ratings. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and/or F1+ by Fitch Ratings). Money market and mutual funds are not rated.

The South Street Seaport Corporation Public Purpose Fund
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Notes to Financial Statements (continued)

4. Cash Equivalents and Investments (continued)

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 uninsured and are not registered in the name of the Corporation.

The Corporation manages custodial credit risk by limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2013, the Corporation was not subject to custodial credit risk. Investments of the Fund at June 30, 2013 are either insured or registered in the name of the Corporation.

Concentration of Credit Risk – The Corporation places no limit on the amount the Corporation may invest in any one issuer. The following table shows investments that represent 5% or more of total investments as of June 30, 2013 (dollars in thousands).

Issuer	Dollar Amount and Percentage of Total Investments June 30, 2013	
Federal Home Loan Mortgage Corp.	\$ 129	55.13%
Federal Home Loan Bank	42	17.95%
Federal National Mort. Assoc.	34	14.53%
Federal Farm Credit Bank	29	12.39%

The South Street Seaport Corporation Public Purpose Fund
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Notes to Financial Statements (continued)

5. Related-Party Transactions

The Fund reimburses NYCEDC for certain overhead and other expenses incurred on behalf of the Fund. At June 30, 2013, the Fund did not have any related party transactions with NYCEDC.

6. Commitments and Contingencies

NYCEDC and its affiliates are involved directly, and in certain situations as codefendant with the City, in litigation arising in the ordinary course of business. Based on management's and in-house counsel's opinions, such litigation is not expected to have a materially adverse effect on the financial position of NYCEDC or its affiliates.

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