FINANCIAL STATEMENTS

The Kaufman Astoria Studios Preservation Public Purpose Fund
( Restricted Assets of New York City Economic Development Corporation)
From October 1, 2012 (date of inception) to June 30, 2013
With Report of Independent Auditors

Ernst & Young LLP
The Kaufman Astoria Studios Preservation Public Purpose Fund
(Restricted Assets of New York City Economic Development Corporation)

Financial Statements

From October 1, 2012 (date of inception) to June 30, 2013

Contents

Report of Independent Auditors .......................................................................................................1

Financial Statements

Statement of Net Position ................................................................................................................3
Statement of Revenues, Expenses, and Change in Net Position ......................................................4
Statement of Cash Flows ..................................................................................................................5
Notes to Financial Statements .......................................................................................................6
Report of Independent Auditors

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

We have audited the accompanying statements of net position of the Kaufman Astoria Studios Preservation Public Purpose Fund (the Fund), restricted assets of New York City Economic Development Corporation (NYCEDC), as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the period from October 1, 2012 (date of inception) to June 30, 2013 and the related notes to the financial statements, which collectively comprise the Fund’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2013, and the changes in its financial position and its cash flows for the period from October 1, 2012 (date of inception) to June 30, 2013, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

September 30, 2013
The Kaufman Astoria Studios Preservation Public Purpose Fund  
(Restricted Assets of New York City Economic Development Corporation)

Statement of Net Position

June 30, 2013

**Assets**
Cash equivalents (*Notes 2 and 3*) $5,475  
Investments (*Notes 2 and 3*) 284,264  
Due from New York City Economic Development Corporation 113,769  
Total assets 403,508

**Liabilities**
Accounts payable and accrued expenses 4,500  
Total liabilities 4,500

**Net position**
Restricted by agreement $399,008

*See accompanying notes.*
The Kaufman Astoria Studios Preservation Public Purpose Fund  
(Restricted Assets of New York City Economic Development Corporation)

Statement of Revenues, Expenses, and Change in Net Position

Period from October 1, 2012 (date of inception) to June 30, 2013

**Operating revenues**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer’s contribution</td>
<td>$403,544</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>$403,544</td>
</tr>
</tbody>
</table>

**Operating expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>4,500</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>4,500</td>
</tr>
<tr>
<td>Operating income</td>
<td>399,044</td>
</tr>
</tbody>
</table>

**Non-operating expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on investment</td>
<td>(36)</td>
</tr>
<tr>
<td>Total non-operating loss</td>
<td>(36)</td>
</tr>
<tr>
<td>Change in net position</td>
<td>399,008</td>
</tr>
</tbody>
</table>

Restricted net position, beginning of period

Restricted net position, end of period

$399,008

See accompanying notes.
The Kaufman Astoria Studios Preservation Public Purpose Fund
(Restricted Assets of New York City Economic Development Corporation)

Statement of Cash Flows

Period from October 1, 2012 (date of inception) to June 30, 2013

Cash flows from operating activities
Developer’s contribution $ 289,775
Net cash provided by operating activities 289,775

Cash flows from investing activities
Purchase of investments (284,300)
Net cash used in investing activities (284,300)

Net increase in cash equivalents 5,475
Cash equivalents – beginning of period –
Cash equivalents – end of period $ 5,475

Reconciliation of operating loss to net cash used in operating activities
Operating income $ 399,044
Adjustments to reconcile operating income to net cash provided by operating activities:
Changes in assets and liabilities
Due from New York City Economic Development Corporation (113,769)
Accounts payable and accrued expenses 4,500
Net cash provided by operating activities $ 289,775

See accompanying notes.
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”).

NYCEDC’s primary activities consists of rendering a variety of services and administering certain economic development programs on behalf of The City relating to attraction, retention and expansion of commerce and industry in The City. These services and programs include encouragement of construction, acquisition, rehabilitation, and improvement of commercial and industrial enterprises within The City and provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein.

Pursuant to the Program of Preservation and Utilization in the Quitclaim Deed ("the Agreement") dated February 17, 1982, between the United States of America, acting through its General Services Administration ("GSA"), the City of New York and NYCEDC, GSA conveyed certain properties to the City, which was subleased through NYCEDC to several entities, including Kaufman Astoria Studios ("KAS"). All income received from KAS in excess of costs of repair, rehabilitation, restoration or maintenance are to be transferred to The Kaufman Astoria Studios Preservation Public Purpose Fund (the Fund) and used only for public historic preservation, park or recreation purposes. The allocation of the funds is based on the approval of the City’s Deputy Mayor for Finance and Economic Development.

During the first 30 years of the sublease, there was a carve-out for income to be deposited to the Fund, allowing a deduction for both rent and fee paid to the City and amounts funded to the American Museum of Moving Image for historical, cultural and educational activities. As a result, there were no contributions to the Fund during this period. At the end of the 30-year period, the deduction was no longer allowed. The Fund was established in October 1, 2012 to fund income in excess of allowable expenses to the Fund as dictated by the Agreement.
1. Background and Organization (continued)

The Fund represents restricted assets of NYCEDC and has no separate legal status or existence. By agreement, the net position of the Fund is classified as restricted and is 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.

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. Cash Equivalents and Investments

At June 30, 2013, the Fund’s cash equivalents of $5,475 were invested in UBS Financial Services Money Market instruments with original maturity of three months or less.
3. Cash Equivalents and Investments (continued)

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

<table>
<thead>
<tr>
<th>Security</th>
<th>Fair Value</th>
<th>Less than 1</th>
<th>1 to 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHLMC notes</td>
<td>$157</td>
<td>$139</td>
<td>$18</td>
</tr>
<tr>
<td>FHLB notes</td>
<td>51</td>
<td>51</td>
<td>–</td>
</tr>
<tr>
<td>FNMA notes</td>
<td>42</td>
<td>42</td>
<td>–</td>
</tr>
<tr>
<td>FFCB notes</td>
<td>34</td>
<td>34</td>
<td>–</td>
</tr>
<tr>
<td>Total investments</td>
<td>$284</td>
<td>$266</td>
<td>$18</td>
</tr>
</tbody>
</table>

*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 any agency or instrumentality of the U.S. government. As of June 30, 2013, the Corporation’s investments in Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), 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.
3. 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).

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Dollar Amount and Percentage of Total Investments June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Home Loan Mortgage Corp.</td>
<td>$157 55.28%</td>
</tr>
<tr>
<td>Federal Home Loan Bank</td>
<td>51 17.96%</td>
</tr>
<tr>
<td>Federal National Mort. Assoc.</td>
<td>42 14.79%</td>
</tr>
<tr>
<td>Federal Farm Credit Bank</td>
<td>34 11.97%</td>
</tr>
</tbody>
</table>

4. Related-Party Transactions

The Fund reimburses NYCEDC for certain overhead and other expenses incurred on behalf of the Fund. At June 30, 2013, there were no reimbursable amounts due to NYCEDC for overhead or expenses incurred on behalf of the Fund.
5. 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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