

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

Schedule of Investments

Years Ended June 30, 2018 and 2017
With Report of Independent Auditors

NYCEDC

New York City Economic Development Corporation

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(A Component Unit of the City of New York)

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Report of Independent Auditors

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

Report on the Schedule of Investments

We have audited the accompanying Schedule of Investments for the New York City Economic Development Corporation (“NYCEDC”), a component unit of the City of New York, as of June 30, 2018 and 2017, and the related notes.

Management’s Responsibility for the Financial Schedule

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

Auditor’s Responsibility

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

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



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

Opinion

In our opinion, the Schedule of Investments referred to above present fairly, in all material respects, the investments of NYCEDC as of June 30, 2018 and 2017, in conformity with U.S. generally accepted accounting principles.

Report on the Financial Statements as of June 30, 2018 and 2017

We have audited, in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, the financial statements of NYCEDC as of and for the years ended June 30, 2018 and 2017, and our report thereon dated September 30, 2018, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 30, 2018, on our consideration of NYCEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters with respect to the Schedule of Investments. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NYCEDC'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 NYCEDC's internal control over financial reporting and compliance with respect to the Schedule of Investments.

Ernst + Young LLP

September 30, 2018

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

Schedule of Investments
(In Thousands of Dollars)

	June 30	
	2018	2017
Operating	\$ 242,289	\$ 244,118
Restricted	149,952	147,599
Total investments	<u>\$ 392,241</u>	<u>\$ 391,717</u>

The accompanying notes are an integral part of this schedule.

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

Notes to Schedule of Investments

June 30, 2018

1. Background and Organization

The accompanying schedule of investments includes the investments of the New York City Economic Development Corporation (“NYCEDC” or the “Corporation”).

New York City Economic Development Corporation is a not-for-profit corporation organized under the New York State (“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 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.

2. Summary of Significant Accounting Policies

Investments

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; 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. US Agencies securities and commercial paper, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at book value.

3. 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.

3. Investments (continued)

As of June 30, 2018 and 2017, the Corporation had the following investments. Investments maturities are shown for June 30, 2018, only (in thousands).

	Fair Value		Investment Maturities at June 30, 2018 in Years	
	2018	2017	Less than 1	1 to 7
Money market funds	\$ 169,728	\$ 150,245	\$ 169,728	\$ –
Money market deposit account	5,251	5,251	5,251	–
FHLB notes	35,257	51,680	8,877	26,380
FHLMC notes	70,499	131,609	48,033	22,466
Commercial paper	47,732	22,636	47,732	–
FFCB notes	14,515	4,487	4,482	10,033
FNMA notes	24,578	25,609	19,292	5,286
US Treasury	24,481	–	24,481	–
Certificates of deposit	200	200	200	–
	392,241	391,717	\$ 328,075	\$ 64,165
Less amount classified as cash equivalents	(174,979)	(155,496)		
Total investments	\$ 217,262	\$ 236,221		

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, 2018, the Corporation's investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and the Federal Home Loan Mortgage Corporation (FHLMC) were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Commercial papers and certificates of deposit were rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investor's Service, Inc.

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.

3. Investments (continued)

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 the Corporation. At June 30, 2018, the Corporation was not subject to custodial credit risk.

Concentration of Credit Risk – The Corporation places no limit on the amount the Corporation may invest in any United States of America government backed securities. The following table shows investments that represent 5% or more of total investments as of June 30, 2018 and 2017 (dollars in thousands).

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2018		June 30, 2017	
Federal Home Loan Mortgage Corp.	\$ 70,499	32.45%	\$ 131,609	55.71%
Federal Home Loan Bank	35,257	16.23	51,680	21.88
Federal Farm Credit Bank	14,515	6.68	–	–
US Treasury	24,481	11.27	–	–
Federal National Mort. Assoc.	24,578	11.31	25,609	10.84



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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Investments of the New York City Economic Development Corporation (“NYCEDC”), a component unit of The City of New York, as of June 30, 2018, and the related notes to the Schedule of Investments, and have issued our report thereon dated September 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule of Investments, we considered NYCEDC’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Investments, but not for the purpose of expressing an opinion on the effectiveness of NYCEDC’s internal control. Accordingly, we do not express an opinion on the effectiveness of NYCEDC’s internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYCEDC's Schedule of Investments are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and investment policies established by NYCEDC and the New York State Comptroller investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the determination of Schedule of Investments amounts. 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 result 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, 2018