



FINANCIAL STATEMENTS, REQUIRED  
SUPPLEMENTARY INFORMATION AND  
SUPPLEMENTARY INFORMATION

New York City Economic Development Corporation  
(a component unit of The City of New York)  
Years Ended June 30, 2012 and 2011  
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

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, 2012 and 2011

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## Report of Independent Auditors

The Board of Directors  
New York City Economic Development Corporation

We have audited the accompanying balance sheets of New York City Economic Development Corporation (“NYCEDC”), a component unit of The City of New York, as of June 30, 2012 and 2011, and the related statements of revenue, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of NYCEDC’s management. Our responsibility is to express an opinion on these financial statements 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 financial statements are free of material misstatement. We were not engaged to perform an audit of NYCEDC’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NYCEDC’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York City Economic Development Corporation as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012 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. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that management's discussion and analysis and the schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NYCEDC's financial statements. The combining statements of revenues, expenses and changes in fund net assets are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Ernst + Young LLP*

September 28, 2012

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

Management's Discussion and Analysis

June 30, 2012 and 2011

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 years ended June 30, 2012 and 2011. Please read it in conjunction with the financial statements and accompanying notes.

**Fiscal Year 2012 Financial Highlights**

- Property rentals increased \$31 million (or 28%)
- Other income – 42<sup>nd</sup> Street decreased \$79 million (or 86%)
- Project cost increased \$55 million (or 162%)
- Program costs decreased \$91 million (or 18%)
- Contract and other expenses to The City increased \$10 million (or 11%)
- Cash, cash equivalents and investments increased \$144 million (or 49%)
- Current portion of loan and mortgage notes receivable decreased \$9 million (or 83%)
- Due from State – ESDC decreased \$80 million (or 86%)
- Capital assets increased \$6 million (or 145%)
- Tenant security and escrow deposits payable increased \$14 million (or 170%)
- Unearned revenue increased \$79 million (or 59%)
- Retainage payable increased \$9 million (or 41%)

**Overview of the Financial Statements**

This annual financial report consists of four parts: *management's discussion and analysis* (this section), *basic financial statements*, *required supplementary information* and *supplementary information*. NYCEDC is a local development corporation organized pursuant to Section 1411 of 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 and long-term financial information about the activities and operations of the Corporation.

These statements are presented in a manner similar to a private business, such as a property management company. 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 performing its contractual obligations.

## Financial Analysis of the Corporation

### Net Assets

The following table summarizes NYCEDC's financial position at June 30, 2012, 2011 and 2010 (dollars in thousands) and the percentage changes between June 30, 2012 and June 30, 2011:

|                            | <b>2012</b>              | <b>2011</b>       | <b>2010</b>       | <b>% Change<br/>2012 – 2011</b> |
|----------------------------|--------------------------|-------------------|-------------------|---------------------------------|
| Current assets             | <b>\$ 566,461</b>        | \$ 568,512        | \$ 361,107        | 0%                              |
| Noncurrent assets          | <b>340,562</b>           | 222,943           | 238,370           | 53%                             |
| Total assets               | <b><u>\$ 907,023</u></b> | <u>\$ 791,455</u> | <u>\$ 599,477</u> | 15%                             |
| Current liabilities        | <b>\$ 214,675</b>        | \$ 204,136        | \$ 155,488        | 5%                              |
| Noncurrent liabilities     | <b>364,887</b>           | 275,953           | 224,451           | 32%                             |
| Total liabilities          | <b><u>\$ 579,562</u></b> | <u>\$ 480,089</u> | <u>\$ 379,939</u> | 21%                             |
| Net assets:                |                          |                   |                   |                                 |
| Restricted                 | <b>\$ 91,707</b>         | \$ 85,135         | \$ 106,847        | 8%                              |
| Unrestricted               | <b>225,231</b>           | 221,929           | 108,733           | 1%                              |
| Invested in capital assets | <b>10,523</b>            | 4,302             | 3,958             | 145%                            |
| Total net assets           | <b><u>\$ 327,461</u></b> | <u>\$ 311,366</u> | <u>\$ 219,538</u> | 5%                              |

During fiscal year 2012, total assets increased \$116 million or 15%. This overall change in assets was driven by large increases in both tenant receivables and restricted cash receipts for various projects. The \$67 million increase in tenant receivables was primarily due to new receivables for certain recoverable costs for Forest City ground leases. The increase in restricted cash was driven by new project receipts including but not limited to: \$20 million for 42<sup>nd</sup> Street Development Project (Public Purpose Funds), \$16 million for various land sales and escrow deposits and \$11 million for the Marriott Marquis pass through lease payments.

Total liabilities increased \$99 million or 21% primarily due to an increase of \$79 million in unearned revenue. The unearned revenue increase is largely driven by the Forest City ground transaction. In addition, land sales and escrow deposits payable increased \$16 million due to the following: \$10 million for the development of the Cornell/Technion NYC Tech Campus, \$3 million for 210 Joralemon Street, and \$3 million for Homeport Stapleton. Retainage payable on construction projects increased \$9 million due to the ongoing Water Siphon Project between Staten Island and Brooklyn and South Brooklyn Marine Rehabilitation Terminal projects.

Net assets during fiscal year 2012 increased \$16 million or 5% as a result of the current operating activities noted above. Of this increase, \$7 million was from restricted net assets, \$3 million was unrestricted net assets and \$6 million was invested in capital net assets.

### **Prior Year**

During fiscal year 2011, total assets increased \$192 million or 32% primarily due to an increase in receivables: \$93 million in other receivables for the 42<sup>nd</sup> Street Development Project and \$35 million in grants receivable relating to the South Brooklyn Marine Terminal and the Morris Heights Health Center.

Total liabilities increased \$100 million or 26% primarily due to an increase of \$51 million in unearned revenue. The Corporation received advance funding of \$34 million from the Port Authority of NY/NJ for the Siphon Project between Staten Island and Brooklyn, and \$13 million from Con-Edison for the Waterside Repair project. Other liability increases are attributable to increased capital program costs incurred (\$30 million) and increased obligations to The City from higher land sales (\$12 million).

### **Operating Activities**

NYCEDC is The City's primary engine for economic development charged with leveraging the City's assets to drive growth, create jobs, and improve quality of life. 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 the process of providing its services, NYCEDC primarily generates revenues from property rentals and real estate sales.

The following table summarizes NYCEDC's change in net assets for the fiscal years ended June 30, 2012, 2011 and 2010 (dollars in thousands) and the percentage changes between fiscal years 2012 and 2011:

|  | <b>2012</b>       | <b>2011</b> | <b>2010</b> | <b>% Change<br/>2012 – 2011</b> |
|--|-------------------|-------------|-------------|---------------------------------|
| Operating revenues:                        |                   |             |             |                                 |
| Real estate sales, property rentals        | \$ <b>172,420</b> | \$ 140,749  | \$ 97,786   | 23%                             |
| Power sales                                | <b>49,199</b>     | 54,261      | 53,276      | (9%)                            |
| Grants                                     | <b>497,778</b>    | 548,034     | 620,371     | (9%)                            |
| Fees and other income                      | <b>52,554</b>     | 128,584     | 57,166      | (59%)                           |
| Total operating revenues                   | <b>771,951</b>    | 871,628     | 828,599     | (11%)                           |
| Operating expenses:                        |                   |             |             |                                 |
| Project and program costs                  | <b>497,755</b>    | 533,999     | 514,845     | (7%)                            |
| Property related expenses                  | <b>45,086</b>     | □7,675      | 34,663      | 20%                             |
| Utility expenses                           | <b>48,785</b>     | 53,381      | 52,322      | (9%)                            |
| Personnel services                         | <b>46,613</b>     | 46,046      | 47,459      | 1%                              |
| Contract and other expenses<br>to The City | <b>99,668</b>     | 89,905      | 142,737     | 11%                             |
| Office rent and other expenses             | <b>18,616</b>     | 19,709      | 16,348      | (6%)                            |
| Total operating expenses                   | <b>756,523</b>    | 780,715     | 808,374     | (3%)                            |
| Operating income                           | <b>15,428</b>     | 90,913      | 20,225      | (83%)                           |
| Nonoperating revenues:                     |                   |             |             |                                 |
| Investment income                          | <b>667</b>        | 915         | 963         | (27%)                           |
| Total nonoperating revenues                | <b>667</b>        | 915         | 963         | (27%)                           |
| Change in net assets                       | <b>16,095</b>     | 91,828      | 21,188      | (82%)                           |
| Total net assets, beginning of year        | <b>311,366</b>    | 219,538     | 198,350     | 42%                             |
| Total net assets, end of year              | <b>\$ 327,461</b> | \$ 311,366  | \$219,538   | 5%                              |

During fiscal year 2012, operating revenues decreased \$100 million or 11%, primarily due to the \$79 million decrease in revenue sharing for the 42<sup>nd</sup> Street Development Project. These funds were previously held by ESDC (Note 13). Reimbursable grants also decreased \$50 million due to less reimbursable expenses. However, the property rentals increased \$31 million due to NYCEDC's assumption of management responsibility for the 42<sup>nd</sup> Development Project and an increase in revenues from Forest City ground leases.

Operating expenses during fiscal year 2012 decreased by \$24 million or 3% primarily due to a net decrease of \$36 million in project and program costs. The Lincoln Center-Promenade completion and Highline reconstruction projects both incurred significantly less expenses. Contract and other expenses to the City increased \$10 million largely due to the 42<sup>nd</sup> Street Development Project.

Correspondingly, operating income during fiscal year 2012 decreased \$76 million or 83% as a result of the items above.



## **Prior Year**

During fiscal year 2011, operating revenues increased \$43 million or 5%, primarily the result of \$92 million recorded for the 42<sup>nd</sup> Street Development Project and a \$30 million increase in real estate sales, offset by a \$72 million decrease in reimbursable grants from The City. The \$92 million in revenues generated from the 42<sup>nd</sup> Street Development Project are the result of a revenue sharing arrangement between The City and New York State for ground leases held in this area. The City conveyed these funds to NYCEDC through a directive issued in September 20, 2010. The \$30 million increase in real estate sales included the Whitney Museum (\$19.1 million) and two other properties: Boundary Fence and Railing Systems (\$3.4 million) and Brooklyn Terminal Market Cooperative (\$7.5 million). The \$72 million decrease in reimbursable grants this year is primarily due to a one-time transaction that occurred last fiscal year, the Coney Island site acquisition.

Operating expenses during fiscal year 2011 decreased by \$28 million or 3% primarily due to a decrease of \$53 million in contract and other expenses to The City. The decrease in contract expenses to The City was offset by a \$30 million increase in capital program costs.

During fiscal year 2011, the Corporation amended its defined benefit health care plan relating to post-employment medical benefits for eligible retirees. Criteria for eligibility were changed, thereby causing a substantially slower rate of growth to the Corporation's annual obligation under the plan and a significant decrease in the actuarial accrued liability. As a result, the Corporation incurred related expenses of approximately \$726,000 this fiscal year as compared with approximately \$2,760,000 last fiscal year. This is discussed in further detail under Note 13.

Correspondingly, operating income during fiscal year 2011 increased \$71 million or 349% as a result of the items above.

## Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2012, 2011 and 2010 (dollars in thousands) and the percentage change between June 30, 2012 and 2011:

|   | <b>2012</b>     | <b>2011</b> | <b>2010</b> | <b>% Change<br/>2012 – 2011</b> |
|---|-----------------|-------------|-------------|---------------------------------|
| Leasehold improvements                            | <b>\$ 8,789</b> | \$ 1,695    | \$ 756      | 419%                            |
| Furniture and fixtures                            | <b>5,518</b>    | 6,855       | 6,667       | (20%)                           |
|   | <b>14,307</b>   | 8,550       | 7,423       | 67%                             |
| Less accumulated depreciation and<br>amortization | <b>(3,784)</b>  | (4,248)     | (3,465)     | (11%)                           |
| Net capital assets                                | <b>\$10,523</b> | \$ 4,302    | \$ 3,958    | 145%                            |

The increase in the leasehold improvements was largely due to the acquisition of a leasehold interest in property located in the South Street Seaport area for the purchase price of \$7,000,000.

## Contacting NYCEDC's Financial Management

This financial report is designed to provide our customers, clients and the public with a general overview of NYCEDC'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 Public Information Officer, New York City Economic Development Corporation, 110 William Street, New York, NY 10038.

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

Balance Sheets

|  | June 30        |                |
|--|----------------|----------------|
|  | 2012           | 2011           |
| <b>Assets</b>  |                |                |
| Current assets:  |                |                |
| Cash and cash equivalents – current  | \$ 177,664,432 | \$ 173,215,388 |
| Restricted cash and cash equivalents – current   | 94,754,871     | 25,240,514     |
| Investments  | 29,424,641     | 19,392,374     |
| Current portion of loans and mortgage notes receivable   | 1,780,491      | 10,370,296     |
| Accrued interest receivable from loans   | 242,672        | 185,002        |
| Due from The City, including \$172,877,800 and \$182,261,987, respectively,<br>under contracts with The City                               | 195,028,063    | 196,435,275    |
| Tenant receivables, net of allowance for uncollectible amounts of \$9,284,274<br>and \$11,789,989, respectively                            | 37,849,231     | 24,374,879     |
| Prepaid expenses   | 646,774        | 610,265        |
| Due from State – ESDC  | 12,814,600     | 92,745,332     |
| Other receivables  | 14,363,961     | 18,708,736     |
| Land deposits in escrow  | 1,890,950      | 7,233,750      |
| Total current assets   | 566,460,686    | 568,511,811    |
| Noncurrent assets:   |                |                |
| Restricted cash and cash equivalents   | 115,256,260    | 46,352,308     |
| Investments  | 2,973,974      | 10,100,985     |
| Restricted investments   | 19,283,026     | 21,382,505     |
| Loans and mortgage notes receivable, less current portion (less allowance<br>for loan losses of \$1,214,311 and \$5,921,171, respectively) | 29,264,834     | 31,675,716     |
| Tenant receivables non-current   | 53,480,527     | –              |
| Capital assets, net  | 10,523,365     | 4,301,642      |
| Land held for development, at cost   | 108,693,118    | 108,443,118    |
| Other assets   | 1,087,000      | 687,000        |
| Total noncurrent assets  | 340,562,104    | 222,943,274    |
| Total assets   | \$ 907,022,790 | \$ 791,455,085 |
| <b>Liabilities and net assets</b>  |                |                |
| Current liabilities:   |                |                |
| Accounts payable and accrued expenses, including \$114,091,285 and<br>\$130,584,976, respectively, under contracts with The City           | \$ 156,990,614 | \$ 163,055,170 |
| Deposits received on pending sales of real estate  | 8,278,000      | 5,126,695      |
| Due to The City: real estate obligations and other   | 19,697,423     | 20,905,405     |
| Unearned revenue   | 28,743,819     | 14,340,364     |
| Other liabilities  | 964,717        | 707,716        |
| Total current liabilities  | 214,674,573    | 204,135,350    |
| Noncurrent liabilities:  |                |                |
| Tenant security and escrow deposits payable  | 22,666,624     | 8,395,858      |
| Obligation for other post-employment benefits  | 19,785,003     | 19,415,000     |
| Due to The City: real estate obligations   | 105,345,500    | 105,345,500    |
| Unearned revenue, including unearned grant revenue of \$39,844,763 and<br>\$43,294,508, respectively, under contracts with The City        | 184,159,330    | 119,888,079    |
| Retainage payable  | 32,045,663     | 22,775,452     |
| Other  | 884,876        | 133,356        |
| Total noncurrent liabilities   | 364,886,996    | 275,953,245    |
| Total liabilities  | 579,561,569    | 480,088,595    |
| Net assets:  |                |                |
| Restricted by law or under various agreements  | 91,706,891     | 85,135,903     |
| Unrestricted   | 225,230,965    | 221,928,945    |
| Invested in capital assets   | 10,523,365     | 4,301,642      |
| Total net assets   | 327,461,221    | 311,366,490    |
| Total liabilities and net assets   | \$ 907,022,790 | \$ 791,455,085 |

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 Fund Net Assets

|  | <b>Year Ended June 30</b> |                |
|--|---------------------------|----------------|
|  | <b>2012</b>               | <b>2011</b>    |
| Operating revenues:  |                           |                |
| Grants   | <b>\$ 497,777,631</b>     | \$ 548,034,260 |
| Property rentals   | <b>140,388,670</b>        | 109,770,348    |
| Power sales  | <b>49,198,827</b>         | 54,261,376     |
| Fee income   | <b>13,143,638</b>         | 16,544,691     |
| Other income – 42 <sup>nd</sup> Street Development Project | <b>12,879,709</b>         | 91,745,332     |
| Other income   | <b>26,531,175</b>         | 20,294,100     |
| Real estate sales, net                                     | <b>32,031,472</b>         | 30,978,293     |
| Total operating revenues                                   | <b>771,951,122</b>        | 871,628,400    |
| Operating expenses:  |                           |                |
| Project costs  | <b>88,624,799</b>         | 33,766,644     |
| Program costs  | <b>409,130,543</b>        | 500,232,669    |
| Property rentals and related operating expenses            | <b>45,085,542</b>         | 37,675,138     |
| Utility expenses   | <b>48,785,219</b>         | 53,381,447     |
| Personnel services   | <b>46,612,829</b>         | 46,046,263     |
| Office rent  | <b>7,964,299</b>          | 7,732,891      |
| Contract and other expenses to The City                    | <b>99,668,725</b>         | 89,904,572     |
| Other general expenses                                     | <b>10,651,450</b>         | 11,975,963     |
| Total operating expenses                                   | <b>756,523,406</b>        | 780,715,587    |
| Operating income   | <b>15,427,716</b>         | 90,912,813     |
| Nonoperating revenues:                                     |                           |                |
| Income from investments                                    | <b>667,015</b>            | 915,297        |
| Total nonoperating revenues                                | <b>667,015</b>            | 915,297        |
| Change in net assets                                       | <b>16,094,731</b>         | 91,828,110     |
| Net assets, beginning of year                              | <b>311,366,490</b>        | 219,538,380    |
| Net assets, end of year                                    | <b>\$ 327,461,221</b>     | \$ 311,366,490 |

*See accompanying notes.*

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

Statements of Cash Flow

|   | <b>Year Ended June 30</b> |                |
|---|---------------------------|----------------|
|   | <b>2012</b>               | <b>2011</b>    |
| <b>Cash flows from operating activities</b>                     |                           |                |
| Real estate sales   | \$ 32,672,914             | \$ 30,378,709  |
| Property rentals  | 142,908,499               | 102,084,105    |
| Power sales   | 50,819,767                | 54,261,376     |
| Grants from The City  | 508,507,100               | 551,037,807    |
| Fee income  | 12,825,170                | 16,542,368     |
| Other income  | 26,174,825                | 38,015,331     |
| Other income – 42 <sup>nd</sup> Street Development Project      | 92,810,441                | 91,745,332     |
| Project costs   | (78,176,656)              | (32,071,981)   |
| Program costs   | (414,858,664)             | (473,384,687)  |
| Property rentals and related operating expenses                 | (43,685,526)              | (32,964,073)   |
| Utility expenses  | (51,647,705)              | (51,270,340)   |
| Personnel services  | (46,175,654)              | (45,709,287)   |
| Office rent   | (7,964,299)               | (7,732,891)    |
| Contract and other expenses to The City                         | (87,656,898)              | (89,897,109)   |
| Other general and administrative expenses                       | (11,792,172)              | (8,101,557)    |
| Repayments of loans and mortgage receivable                     | 11,824,602                | 6,697,873      |
| Tenant security and escrow deposits                             | 14,270,766                | (502,771)      |
| Other   | (6,785,913)               | (83,117,419)   |
| Net cash provided by operating activities                       | 144,070,597               | 66,010,786     |
| <b>Cash flows from capital and related financing activities</b> |                           |                |
| Purchase of capital assets                                      | (5,757,282)               | (1,739,677)    |
| Net cash used in capital and related financing activities       | (5,757,282)               | (1,739,677)    |
| <b>Cash flows from investing activities</b>                     |                           |                |
| Sale of investments   | 52,816,166                | 61,408,495     |
| Purchase of investments   | (54,021,943)              | (50,816,822)   |
| Deposits on land  | 5,092,800                 | 676,250        |
| Interest income   | 667,015                   | 629,810        |
| Net cash provided by investing activities                       | 4,554,038                 | 11,897,733     |
| <br>  |                           |                |
| Net increase in cash and cash equivalents                       | 142,867,353               | 76,168,842     |
| Cash and cash equivalents, beginning of year                    | 244,808,210               | 168,639,368    |
| Cash and cash equivalents, end of year                          | \$ 387,675,563            | \$ 244,808,210 |

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

Statements of Cash Flows (continued)

|   | <b>Year Ended June 30</b> |               |
|---|---------------------------|---------------|
|   | <b>2012</b>               | <b>2011</b>   |
| <b>Reconciliation of operating income to net cash provided by operating activities</b>  |                           |               |
| Operating income  | \$ 15,427,716             | \$ 90,912,813 |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                           |               |
| Depreciation and amortization   | (464,441)                 | 1,395,761     |
| Changes in operating assets and liabilities:  |                           |               |
| Accrued interest receivable   | (57,670)                  | 2,819,716     |
| Due to/from The City  | 199,230                   | (16,647,692)  |
| Tenant receivables  | (66,954,879)              | (3,340,921)   |
| Prepaid expenses and other receivables  | 4,308,266                 | (1,409,474)   |
| Due from State – ESDC   | 79,930,732                | (92,745,332)  |
| Loans and mortgage notes receivable   | 11,000,687                | (2,672,103)   |
| Tenant security and escrow deposits payable   | 14,270,766                | (502,771)     |
| Accounts payable and accrued expenses   | (6,064,556)               | 33,343,519    |
| Deposits received on pending sales of real estate                                       | 3,151,305                 | (1,562,405)   |
| Unearned interest income  | -                         | 120,000       |
| Obligation for OPEB   | 370,003                   | 397,256       |
| Unearned grant revenue  | 78,674,706                | 51,215,824    |
| Retainage payable   | 9,270,211                 | 4,194,439     |
| Other current liabilities   | 257,001                   | 447,156       |
| Other noncurrent liabilities  | 751,520                   | 45,000        |
| Net cash provided by operating activities   | \$ 144,070,597            | \$ 66,010,786 |
| <b>Supplemental disclosures of non-cash activities</b>                                  |                           |               |
| Unrealized loss on investments  | \$ (647,004)              | \$ (241,385)  |

*See accompanying notes.*

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

Notes to Financial Statements

June 30, 2012

**1. Background and Organization**

The accompanying financial statements include the assets, liabilities, net assets and the financial activities of the New York City Economic Development Corporation (“NYCEDC” or the “Corporation”) and its component unit, Apple Industrial Development Corp. (“Apple”).

NYCEDC is a local development corporation organized pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York (the “State”). NYCEDC’s primary activities consist of rendering a variety of services and administering 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. These services are provided under two contracts with The City (the “NYCEDC Master Contract” and the “NYCEDC Maritime Contract”).

Currently, NYCEDC is seeking a legal restructuring that is expected to be completed during fall 2012. EDC will remain a not-for-profit corporation organized under Non-Profit Corporate Law and its revenues will be exempt from federal income tax under Section 115 of the Internal Revenue Code (“IRC Code”). Apple will remain a component unit of the restructured entity and will continue to operate under Section 501(c)(3) of the IRC Code.

Apple was created in 1980 and provides management and maintenance services for certain City-owned and NYCEDC owned and leased properties. Apple has contracted with NYCEDC to manage wharf, waterfront, public market and aviation properties that NYCEDC is responsible for managing under the NYCEDC Maritime Contract, properties under lease to or owned by NYCEDC, and other properties that NYCEDC is responsible for managing pursuant to the NYCEDC Master Contract or pursuant to other arrangements with The City. Apple has assumed NYCEDC’s rights and obligations under certain management and maintenance service contracts with The City. Complete financial statements for Apple may be obtained at its administrative offices, which are located at 110 William Street, New York, New York 10038.

Pursuant to Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, Apple is reported as a blended component unit of NYCEDC. Also pursuant to GASB Statement No. 14, NYCEDC’s financial statements are included in The City’s financial statements as a component unit for financial reporting purposes.

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

**1. Background and Organization (continued)**

In order to present the financial position and the changes in financial position of Apple in a manner consistent with limitations and restrictions placed upon the use of resources and NYCEDC's contractual agreement with The City and other third parties, Apple classifies its operations into the following four portfolios:

*Commercial Leases Portfolio:* Apple has been assigned the rights to manage certain non-cancelable NYCEDC ground leases with The City. NYCEDC subleases the property to commercial and industrial tenants. The sublease agreements generally provide for minimum rentals plus provisions for additional rent, and restrict the use of the land to the construction or development of commercial, manufacturing or industrial facilities.

*Brooklyn Army Terminal Portfolio:* The Brooklyn Army Terminal ("BAT") is an industrial property owned by The City which is leased to NYCEDC and managed by Apple on NYCEDC's behalf. 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 Apple's management, promotion, expansion and development of waterfront, public market, public aviation and intermodal transportation properties on NYCEDC's behalf pursuant to the subcontract.

*Other Properties Portfolio:* This portfolio was established to account for the activities of Apple related to certain City-owned and other properties for which Apple assumed management responsibilities. Pursuant to an agreement between NYCEDC and The City, the net revenue from three of the properties is retained by the portfolio for property operating and capital expenses or for expenses of projects in the area. The net assets retained as of June 30, 2012 and 2011 were \$10,747,547 and \$9,813,042, respectively. Net revenues excluded depreciation expenses. Any net revenues from the other properties are payable to NYCEDC pursuant to the subcontract.



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

**1. Background and Organization (continued)**

*42<sup>nd</sup> Street Portfolio:* This portfolio was established as a joint effort between the City and the State of New York to redevelop 42<sup>nd</sup> Street into vibrant office and cultural center. Ownership currently resides with the State of New York and is expected to transfer to the City of New York once all related tenant approvals are obtained. Pursuant to agreements between the State, City and NYCEDC effective July 1, 2011, Apple assumed management and administrative responsibilities for all leases in connection with the 42<sup>nd</sup> Street Development Project. NYCEDC generally collects and remits all rental revenues to The City. NYCEDC may share in rental revenues above established amounts as-agreed upon with The City, and may retain \$1 million per fiscal year as an administrative fee.

**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”).

**Recent Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (“GASB No. 61”). GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government’s management determines that it would be misleading to exclude them, GASB No. 61 clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. GASB No. 61 also amends the criteria for reporting component units as if they were part of the

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

**2. Summary of Significant Accounting Policies (continued)**

primary government in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. The provisions of GASB No. 61 are effective for financial statements for periods beginning after June 15, 2012. The Corporation has evaluated the implementation of this statement and determined it will have no impact on its financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB No. 63”). GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Corporation has not completed the process of evaluating the impact of GASB No. 63 on its financial statements.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments; Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify the termination provisions in GASB No. 53, when a counterparty of an interest rate or commodity swap is replaced. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The Corporation does not anticipate the implementation of this standard will have an impact on its financial statements.

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

**2. Summary of Significant Accounting Policies (continued)**

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB No. 65”). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Corporation has not completed the process of evaluating the impact that will result from adopting GASB No. 65.

**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 contract services in connection with NYCEDC’s principal on-going operations. The principal operating revenues are grants from The City, rentals of City-owned property, sales of New York Power Authority electric power, and sales of property (see Real Estate Sales). NYCEDC’s operating expenses include project and program costs, utility costs, property rental charges and related administration 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 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  
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Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

NYCEDC records reimbursement grants from The City as revenue when the related program costs are incurred. Differences between the program costs incurred on specific projects and the related receipts are reflected as due from The City or as unearned revenue in the accompanying balance sheets.

Other grants are recorded as revenue when earned.

**Property Rentals**

Property rentals are recognized on a straight-line basis over the 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. Deposits received from prospective purchasers prior to closing are included in the accompanying balance sheets as deposits received on pending sales of real estate.

Beginning in fiscal 1990, for sales of City-owned property in which NYCEDC has accepted a promissory note from a purchaser in lieu of cash, in addition to the note receivable, corresponding unearned revenue is recorded at the time of closing. Due to collectability issues associated with these promissory notes, such unearned revenue is amortized into income ratably as payments are made.

**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 loans are secured by second mortgages or other security interest and carry below market interest rates. 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.

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)**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in banks and on hand, certificates of deposit and highly liquid debt instruments with original maturities of three months or less. Cash equivalents are stated 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.

**Capital Assets**

Capital asset purchases for use by NYCEDC in excess of \$10,000 and consisting primarily of leasehold improvements, furniture, and equipment are capitalized and depreciated using the straight-line method over the life of the lease or the estimated useful life assigned. The useful life of the furniture and equipment varies from three to five years.

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

**Tax Status**

NYCEDC is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the “Code”). In addition, NYCEDC has been classified as an organization that is not a private foundation and has been designated a “publicly supported” organization as specified in Section 509(a) and Section 170(b)(1)(A)(vi) of the Code.

Apple is a New York State not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Code.

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)**

**Reclassifications**

Certain prior year amounts shown in the accompanying financial statements have been reclassified to conform to current year presentation.

**3. Contracts With The City of New York**

**NYCEDC Master Contract**

The City and NYCEDC have entered into the NYCEDC Master Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of industrial and commercial development within The City, including among others (1) facilitating commercial and industrial development projects, (2) stabilizing and improving industrial areas in The City, (3) administering public loan, grant and subsidy programs on behalf of The City, (4) encouraging development of intrastate, interstate and international commerce within The City, and (5) managing and maintaining certain City-owned properties.

In partial consideration of the services rendered by NYCEDC pursuant to the NYCEDC Master Contract, NYCEDC may retain (1) net revenues resulting 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 the contract cap. For fiscal years ended June 30, 2012 and 2011, net revenues generated from such sources amounted to \$77,556,507 and \$85,298,810, respectively. Income self-generated by NYCEDC, including interest earned on all cash accounts related to unrestricted operations and certain fees earned for services rendered which are not payable by The City, may be retained by NYCEDC under the NYCEDC Master Contract without regard to the contract cap.

Pursuant to section 11.05 of the NYCEDC Master Contract, at any time upon written request of the Mayor of The City or his designee, NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC's unrestricted net assets exceeds \$7,000,000. At the direction of The City, NYCEDC was required to remit \$55,490,839 and \$54,260,486 from its unrestricted net assets in fiscal 2012 and 2011, respectively, which are accounted for as contract and other expenses to The City in the statements of revenues, expenses and changes in fund net assets.

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)**

The term of the NYCEDC 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.

**NYCEDC Maritime Contract**

The City and NYCEDC have entered into the NYCEDC Maritime Contract under which NYCEDC 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, and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

In the performance of its services under the NYCEDC 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 (see Note 11). In consideration of the services rendered by NYCEDC pursuant to the NYCEDC 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 ("Budget") as called for by the NYCEDC Maritime Contract. Any Reimbursable Expenses, as defined in the NYCEDC 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"). For the fiscal years ended June 30, 2012 and 2011, the Reimbursed Amount was \$28,929,099 and \$30,311,405, respectively. Net revenues generated on The City's behalf for services under the NYCEDC Maritime Contract in excess of the Reimbursed Amount must be remitted to the City on a periodic basis. The operations covered by the NYCEDC Maritime Contract generated \$16,720,822 and \$16,725,492 in net revenues in both fiscal years 2012 and 2011.

Pursuant to section 9.06 of the NYCEDC Maritime Contract, at any time upon written request of the Mayor of The City or his 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 assets exceeds \$7 million.

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

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

At the direction of The City, NYCEDC was required to remit \$16,718,000 for both fiscal years 2012 and 2011, respectively, pursuant to the NYCEDC Maritime Contract, and such amounts are included in the accompanying Statements of revenues, expenses and changes in fund net assets under contract and other expenses to The City. The entire amounts required were remitted at June 30, 2012 and 2011, respectively.

The term of the NYCEDC 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 restricted revenue from two sources to The City: the 42<sup>nd</sup> Street Development Project and the Times Square Marriott Marquis ground lease rental payments. NYCEDC remits revenue deemed to be restricted based upon agreements with The City. The amounts remitted for fiscal year 2012 and fiscal year 2011 were \$49 million and \$32 million, respectively.

**4. Grants**

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2012, grant revenue was \$497,777,631 of which \$474,873,217 were reimbursement grants from The City. For the year ended June 30, 2011, grant revenue was \$548,034,260, of which \$535,446,395 were reimbursement grants from The City.

**5. Land Held for Development**

NYCEDC may purchase land to help achieve the City's and NYCEDC's redevelopment goals. During fiscal year 2010, NYCEDC purchased several parcels of land in Coney Island ("Coney") to assist with the implementation of a comprehensive economic development plan to strengthen the Coney amusement area. The cost of these property acquisitions was approximately \$105.3 million, for which NYCEDC received Capital funds from the City. Effective March 2010, NYCEDC leased the acquired property to a third party for a ten year period in furtherance of the goals and vision for Coney. NYCEDC may convey the site to the



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

**5. Land Held for Development (continued)**

City, for nominal consideration, at any time. This amount is reflected as real estate obligations due to the City. Also included in land held for development is approximately \$3.1 million of other properties. No additional land purchases were made in fiscal year 2012.

**6. Other Income**

The following table summarizes other income for the fiscal years ended June 30, 2012 and 2011:

|  | <u>2012</u>          | <u>2011</u>          |
|--|----------------------|----------------------|
| Tenant reimbursements                        | \$ 6,628,381         | \$ 6,852,236         |
| Developer contributions                      | 2,267,874            | 1,395,176            |
| Interest income from loans                   | 2,429,558            | 1,648,337            |
| Loan recovery and other miscellaneous income | 15,205,362           | 10,398,351           |
| Total  | <u>\$ 26,531,175</u> | <u>\$ 20,294,100</u> |

**7. Loans and Mortgage Notes Receivable**

NYCEDC has received installment notes from purchasers of certain real property sold by NYCEDC 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, 2012 and 2011, these mortgage notes totaled \$13,565,464 and \$14,787,168, respectively, exclusive of interest receivable.

NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with their corporate mission and contractual obligations with The City. These loans were made to borrowers whose business operations are likely to provide employment generation, 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.

Two substantial Forest City loan receivables, totaling \$14 million, were paid in fiscal year 2012 resulting in an overall decrease in loan and mortgage receivables versus fiscal year 2011.

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

Notes to Financial Statements (continued)

**7. Loans and Mortgage Notes Receivable (continued)**

At June 30, 2012, the loan and mortgage notes portfolio consisted of 26 loans that bear interest at rates ranging from 0% to 7% and mature at various dates through August 1, 2037.

Scheduled maturities of principal for these loans for the next five years and thereafter are as follows:

| <b>Fiscal Year</b> | <b>Principal<br/>Maturity</b> | <b>Interest</b>      |
|--------------------|-------------------------------|----------------------|
| 2013               | \$ 1,490,300                  | \$ 761,387           |
| 2014               | 2,180,195                     | 1,677,012            |
| 2015               | 2,241,632                     | 1,113,370            |
| 2016               | 2,837,056                     | 1,012,636            |
| 2017               | 3,191,529                     | 907,720              |
| 2018 – 2022        | 11,727,980                    | 2,876,060            |
| 2023 – 2027        | 1,925,694                     | 1,382,902            |
| 2028 – 2032        | 5,985,253                     | 365,822              |
| 2033 – 2037        | 679,997                       | –                    |
|                    | <u>\$ 32,259,636</u>          | <u>\$ 10,096,643</u> |

NYCEDC has three loans in fiscal 2012 that represented approximately 55% of the loan portfolio balance. The composition of the eight largest loans, comprising 94% of the entire portfolio, by industry type, at June 30, 2012 was as follows: real estate development 93% and service 1%.

The ability of the borrowers to honor their contracts may be affected by a downturn in The City's economy, which may ultimately limit the funds available to repay interest and principal.

The City may, at its discretion, request payment of certain amounts received by NYCEDC from the administration of certain programs within the Finance Programs.

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**

NYCEDC is required to remit amounts to The City under the NYCEDC Master Contract (see Note 3). The unremitted portion of such amounts at June 30, 2012 and 2011 amounted to \$19,362,319 and \$20,905,405, respectively.

Pursuant to the various contracts with The City, NYCEDC recorded total grants from The City in the amount of \$497,777,631 and \$548,034,260 during fiscal years 2012 and 2011, respectively, of which \$172,877,800 and \$182,261,987 were unpaid by The City as of June 30, 2012 and 2011, respectively. These unpaid amounts are included in the accompanying balance sheets as Due from The City.

**9. Capital Assets**

Changes in capital assets for the years June 30, 2010 to June 30, 2012 consisted of the following:

|                          | June 30,<br>2010    | Additions/<br>Depreciation | Disposals    | June 30,<br>2011    | Additions/<br>Depreciation | Disposals     | June 30,<br>2012     |
|--------------------------|---------------------|----------------------------|--------------|---------------------|----------------------------|---------------|----------------------|
| Equipment                | \$ 5,897,805        | \$ 649,091                 | \$ (579,151) | \$ 5,967,745        | \$ 545,036                 | \$(1,488,027) | \$ 5,024,754         |
| Leasehold improvements   | 756,146             | 938,789                    | -            | 1,694,935           | 7,093,739                  | -             | 8,788,674            |
| Computer software        | 769,177             | 151,797                    | (34,086)     | 886,888             | 42,045                     | (435,512)     | 493,421              |
| Capital assets           | 7,423,128           | 1,739,677                  | (613,237)    | 8,549,568           | 7,680,820                  | (1,923,539)   | 14,306,849           |
| Less:                    |                     |                            |              |                     |                            |               |                      |
| Accumulated depreciation | (3,465,402)         | (1,395,761)                | 613,237      | (4,247,926)         | (1,459,097)                | 1,923,539     | (3,783,484)          |
| Capital assets, net      | <u>\$ 3,957,726</u> | <u>\$ 343,916</u>          | <u>\$ -</u>  | <u>\$ 4,301,642</u> | <u>\$ 6,221,723</u>        | <u>\$ -</u>   | <u>\$ 10,523,365</u> |

Depreciation and amortization of capital assets for the fiscal years ended June 30, 2012 and 2011 were \$1,459,097 and \$1,395,761, respectively.

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

Notes to Financial Statements (continued)

**10. Cash and Investments**

**Cash**

The bank balance of NYCEDC's cash deposits was \$220,421,157, of which \$111,272,061 was covered by federal depository insurance and \$109,149,096 was collateralized by securities held by the pledging financial institution. Emergency funds on hand amounted to \$4,500 at June 30, 2012.

**Investments**

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America or in obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America as well as obligations of the State. All of the Corporation's investments in U.S. agencies carry a guarantee of the U.S. government. Other permitted investments, include short term commercial paper, certificates of deposit and bankers acceptances. All investments are subject to certain limitations and conditions, and are carried at fair value, except for certificates of deposit, which are valued at cost.

Investments at June 30, 2012 and 2011 consist of the following securities with maturities (dollars in thousands):

|  | <b>Fair Value</b> |                  | <b>Investment Maturities<br/>at June 30, 2012 in Years</b> |                 |
|--|-------------------|------------------|--|-----------------|
|  | <b>2012</b>       | <b>2011</b>      | <b>Less than 1</b>   | <b>1 to 2</b>   |
| Money market and mutual funds              | \$ 103,474        | \$ 72,611        | \$ 103,474   | \$ -            |
| Money market deposit account               | 68,568            | 68,995           | 68,568   | -               |
| FHLB notes                                 | 5,974             | 9,708            | 5,974  | -               |
| FHLMC notes                                | 9,884             | 11,521           | 7,382  | 2,502           |
| U.S. treasury bills                        | 3,518             | 7,189            | 3,518  | -               |
| Commercial paper                           | 13,979            | 7,798            | 13,979   | -               |
| FFCB notes                                 | 8,003             | -                | 4,501  | 3,502           |
| FNMA notes                                 | 8,869             | 13,446           | 8,367  | 502             |
| Certificate of deposit and other           | 1,455             | 1,213            | 1,455  | -               |
|  | <b>223,724</b>    | 192,481          | <b>\$ 217,218</b>  | <b>\$ 6,506</b> |
| Less amount classified as cash equivalents | <b>(172,042)</b>  | (141,605)        |  |                 |
| Total investments                          | <b>\$ 51,682</b>  | <b>\$ 50,876</b> |  |                 |

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

Notes to Financial Statements (continued)

**10. Cash and Investments (continued)**

At June 30, 2012 and 2011, cash, cash equivalents and investments of \$229,243,157 and \$92,975,327, respectively, were restricted for use in connection with designated programs of NYCEDC.

*Interest Rate Risk* – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Corporation limits investment maturities to within two years of the date of purchase.

*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 US government. As of June 30, 2012, 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 and AAA by Moody'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.

*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, 2012, 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. Cash and Investments (continued)**

*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, 2012 and 2011 (dollars in thousands).

| Issuer                           | <u>Dollar Amount and Percentage of Total Investments</u> |        |               |        |
|----------------------------------|--|--------|---------------|--------|
|                                  | June 30, 2012  |        | June 30, 2011 |        |
| Federal Home Loan Bank           | \$ 5,974   | 11.56% | \$ 9,708      | 19.10% |
| Federal National Mort. Assoc.    | 8,869  | 17.16  | 13,446        | 26.45  |
| Federal Home Loan Mortgage Corp. | 9,884  | 19.12  | 11,521        | 22.67  |
| Federal Farm Credit Bank         | 8,003  | 15.48  | –             | –      |
| JPMorgan Chase Commercial Paper  | 6,991  | 13.53  | –             | –      |
| Nestle Cap Corp Commercial Paper | 6,998  | 13.53  | –             | –      |

**Investment Income**

Investment income from interest earned on bank accounts, certificates of deposit and securities was \$667,015 and \$915,297 for the fiscal years ended June 30, 2012 and 2011, respectively.

**11. Ground Leases and Properties Managed by NYCEDC on Behalf of The City**

NYCEDC has entered into certain ground leases with The City. NYCEDC, in turn, subleases the property to commercial and industrial tenants. Additionally, NYCEDC manages certain properties on behalf of The City for which there are no ground leases. The sublease agreements and leases that NYCEDC manages on behalf of The City generally provide for minimum rentals plus provisions for additional rent and restrict the use of the land to the construction or development of office, commercial, manufacturing or industrial facilities. Certain of the subleases also provide for renewals at the end of the initial lease term for periods ranging from 10 to 50 years.

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

**11. Ground Leases and Properties Managed by NYCEDC on Behalf of The City  
(continued)**

The future minimum rental income as of June 30, 2012, payable by the tenants under the subleases and leases managed by NYCEDC on behalf of The City, all of which are accounted for as operating leases, are as follows (dollars in thousands):

| Fiscal Year | Minimum<br>Rental Income<br>from BAT<br>Tenants | Minimum<br>Rental Income<br>from<br>Commercial<br>Tenants | Minimum<br>Rental Income<br>from<br>Transportation/<br>Commerce<br>Tenants | Minimum<br>Rental Income<br>from 42nd st<br>Development<br>Proj. Tenants | Minimum<br>Rental Income<br>from Other<br>Tenants | Total        |
|-------------|---|---|--|--|---|--------------|
| 2013        | \$ 17,008                                       | \$ 10,638   | \$ 40,189  | \$ 5,074   | \$ 846  | \$ 73,755    |
| 2014        | 15,022  | 10,537  | 38,457   | 5,074  | 775   | 69,865       |
| 2015        | 13,648  | 10,308  | 37,312   | 5,074  | 478   | 66,820       |
| 2016        | 11,131  | 9,415   | 35,467   | 5,074  | 123   | 61,210       |
| 2017        | 7,845   | 8,631   | 34,200   | 5,074  | –   | 55,750       |
| 2018 – 2022 | 18,272  | 39,146  | 158,309  | 25,072   | –   | 240,799      |
| 2023 – 2027 | 7,148   | 32,908  | 118,750  | 24,843   | –   | 183,649      |
| 2028 – 2032 | 4,030   | 32,502  | 79,356   | 24,843   | –   | 140,731      |
| 2033 – 2037 | 4,030   | 31,853  | 60,508   | 24,843   | –   | 121,234      |
| 2038 – 2042 | 4,030   | 31,204  | 29,038   | 24,843   | –   | 89,115       |
| Thereafter  | 9,739   | 255,988   | 81,677   | 236,541  | –   | 583,945      |
| Total       | \$ 111,903                                      | \$ 473,130  | \$ 713,263   | \$ 386,355   | \$ 2,222  | \$ 1,686,873 |

The thereafter category includes 31 leases with expiration dates between July 1, 2043 and September 13, 2105.

**12. Tenant Receivables – Noncurrent**

Pursuant to the ground leases with certain Forest City companies, costs incurred to acquire the properties prior to execution of these leases are to be reimbursed by the developer. The total to be repaid for these properties is \$53,480,527, of which \$37,173,977 is for Jay Street (One Metrotech Center), \$9,335,346 is for Bridge Street (Two Metrotech Center) and \$6,971,204 is for Tech Place (11 Metrotech Center). These receivables will be paid over a 20 year period as specified by the leases and are offset by an equal amount recorded in unearned revenues that will be recognized to revenue over the life of the agreements.

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

**13. 42<sup>nd</sup> Street Development Project**

The 42<sup>nd</sup> Street Development Project (the “Project”) was conceived in the 1980s to transform the properties in the 42<sup>nd</sup> Street area between 7<sup>th</sup> and 8<sup>th</sup> Avenues. Currently, title to the 42<sup>nd</sup> Street sites that comprise the Project is held by the State of New York through the Empire State Development Corporation (“ESDC”). For a number of years, NYCEDC has overseen the ground leases for the Project on behalf of The City.

By Memorandum from The City dated September 20, 2010, NYCEDC retained 100% of amounts earned and attributable to the period prior to January 1, 2011 regardless of whether such amounts are collected before or after January 1, 2011, subject to the retention cap in section 3.07 of the Master Contract. For the fiscal years ended June 30, 2012 and 2011, NYCEDC recognized \$12.9 million and \$91.7 million, respectively, as operating revenue in connection with the services it provided to the Project. Also as set forth in the September 20, 2010 Memorandum, the overall administration of the Project was assumed by NYCEDC. By agreement of the parties, assumption of these responsibilities occurred on July 1, 2011.

For all periods after January 1, 2011, NYCEDC, pursuant to Section 11.05 of the NYCEDC Master Contract, is to transfer to The City all revenues related to the Project properties that it collects, other than \$1,000,000 per fiscal year of revenues it collects in that fiscal year (including fiscal year 2011). NYCEDC is permitted to keep these revenues pursuant to Section 3.07 of the Master Contract for its administrative services. \$1,000,000 of such revenues has been included as fee income in the statements of revenues, expenses and changes in fund net assets.

**14. Pension Plan**

NYCEDC maintains a defined contribution pension plan, which covers substantially all employees. The pension plan provides for variable contribution rates by NYCEDC ranging from 6% to 14% of the employees’ Eligible Wages, as defined in the Code. Pension expense for the fiscal years ended June 30, 2012 and 2011 amounted to \$3,177,463 and \$3,273,397, respectively, and is included in personnel services in the accompanying statements of revenues, expenses and changes in fund net assets.



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

**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. This plan was amended during February 2011 with the plan amendment effective July 1, 2011. The amendment includes revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. As a result of the amendment, 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 NYCEDC, and (iii) all active employees who started working prior to January 1, 2011 and will meet the benefit eligibility requirement of age 60 or older with at least 10 years of service by June 30, 2023. NYCEDC is not required to and does not issue a publicly available financial report for the plan.

Benefit provisions and contribution requirements for the plan are established and amended through NYCEDC's Board of Directors and there is no statutory requirement for NYCEDC to continue this plan for future NYCEDC employees. The plan is a contributory plan with retirees subject to contributions established for either the Low or High version of the plan. Under the Low option, retirees make contributions in the amount of \$50 a month for single coverage and \$100 a month for family coverage. Under the High option, retiree contributions are \$100 a month for single coverage and \$200 a month for family. Retirees receiving the post-employment health benefit pay a premium amount equal to what a current NYCEDC employee pays, based on his or her family status. Additional costs may be incurred by the retiree under either the Low or High plan version. At June 30, 2012 and 2011, there were 22 and 21 retirees respectively receiving benefits, all under the Low version of the plan. Employer contributions are made on a pay as you go basis.

NYCEDC's annual OPEB cost for the plan is calculated based on the annual required contribution "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. NYCEDC's annual OPEB cost for the current year and the related information for the plan are as follows (dollars in thousands):

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

**15. Postemployment Benefits Other than Pensions (continued)**

|   | <b>2012</b> | <b>2011</b> |
|---|-------------|-------------|
| Annual required contribution            | \$ 2,391    | \$ 2,310    |
| ARC adjustment                          | (2,394)     | (2,345)     |
| Interest on net OPEB obligation         | 777         | 761         |
| Annual OPEB cost                        | 774         | 726         |
| Contributions made                      | (404)       | (329)       |
| Increase in net OPEB obligation         | 370         | 397         |
| Net OPEB obligation – beginning of year | 19,415      | 19,018      |
| Net OPEB obligation – end of year       | \$ 19,785   | \$ 19,415   |

NYCEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012, 2011 and 2010 were as follows (dollars in thousands):

| Fiscal Year<br>Ended | Annual OPEB<br>Cost | Percentage of Annual<br>OPEB Cost Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|---|------------------------|
| 06/30/12             | \$ 774              | 52.2%   | \$ 19,785              |
| 06/30/11             | 726                 | 45.31%  | 19,415                 |
| 06/30/10             | 2,760               | 3.91%   | 19,018                 |

The actuarial valuation date is June 30, 2010. The actuarial accrued liability for benefits as of this date was \$23,959,660, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$34,541,630, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 69.4%. Pursuant to the plan amendment during February 2011, the unfunded accrued liability as of June 30, 2010 was reduced to \$19,018,000.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

**15. Postemployment Benefits Other than Pensions (continued)**

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between NYCEDC and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. NYCEDC's June 30, 2012 OPEB obligation does not reflect any estimated or actual adjustments resulting from National Health Care Reform.

For the June 30, 2010 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9% and grading down to an ultimate rate of 5%. The unfunded actuarial accrued liability is being amortized over a 30 year closed period on a level dollar basis. The remaining amortization period at June 30, 2012 was 23 years.

**16. Other Related-Party Transactions**

**New York City Industrial Development Agency (“IDA”)**

NYCEDC is responsible for administering the economic development programs of IDA. For the fiscal years ended June 30, 2012 and 2011, NYCEDC earned management fee income from IDA of \$6,052,117. In fiscal year 2011, a contingency fee of \$1,863,194 was earned by NYCEDC from IDA's recapture of benefits from one project company. In fiscal year 2012, there was no contingency fee. Such amounts are included in fee income in NYCEDC's accompanying statements of revenues, expenses and changes in fund net assets. At June 30, 2012 and 2011, the amounts due from IDA totaled \$443,110 and \$3,219,124, respectively.

**New York City Capital Resources Corporation (“CRC”)**

In 2006, CRC was organized under the Not-for-Profit Corporation Law of the State of New York. NYCEDC is responsible for administering the economic development programs of CRC. In June 30, 2012 and 2011, NYCEDC earned management fee income from CRC in the amount of \$80,000. That amount is included in fee income in NYCEDC's accompanying statements of revenues, expenses and changes in fund net assets.

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

**16. Other Related-Party Transactions (continued)**

**Build NYC Resource Corporation (“BNYC”)**

BNYC was incorporated under the Not-for-Profit Corporation Law of the State of New York in 2012. Pursuant to an agreement between NYCEDC and BNYC, NYCEDC provides economic services to BNYC and administers BNYC’s financial books and records. NYCEDC earned management fee income from BNYC in the amount of \$1.

**Coney Island Development Corporation (“CIDC”)**

CIDC was incorporated under the Not-for-Profit Corporation Law of the State of New York in 2003. Pursuant to an agreement between NYCEDC and CIDC, NYCEDC provides project management services to CIDC and administers CIDC’s financial books and records. During fiscal year 2012 and 2011, NYCEDC earned management fees of \$120,000 from CIDC.

**Other City Agencies (“OCAs”)**

NYCEDC collected additional management fees from various OCAs. These OCAs consisted of the Brooklyn Bridge Park Corporation, the Trust for Governor’s Island, New York City Energy Efficiency Corporation, and the Trust for Cultural Resources of New York City. The management and administrative fees billed during fiscal years 2012 and 2011 totaled \$727,684 and \$497,912, respectively.

**17. Commitments and Contingencies**

NYCEDC rents office space under a lease agreement expiring in fiscal year 2020. The future minimum rental commitments as of June 30, 2012 required under the operating lease are as follows:

|              |                      |
|--------------|----------------------|
| Fiscal year: |                      |
| 2013         | \$ 7,350,112         |
| 2014         | 7,350,112            |
| 2015         | 7,557,928            |
| 2016         | 7,599,491            |
| 2017         | 7,599,491            |
| Thereafter   | 16,465,563           |
|              | <u>\$ 53,922,697</u> |

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

**17. Commitments and Contingencies (continued)**

Rent expense for office space amounted to \$7,964,299 and \$7,732,891 for the fiscal years ended June 30, 2012 and 2011, respectively.

NYCEDC, and in certain situations as co-defendant with the City, Apple, New York City Capital Resource Corporation and/or New York City Industrial Development Agency, 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.

In 2009, the office of the New York State Attorney General commenced a state-wide investigation of local development corporations, including NYCEDC. The corporation cooperated fully with this investigation and on July 2, 2012, the corporation and the Attorney General signed an Assurance of Discontinuance, providing for the conclusion of the investigation. The Assurance of Discontinuance will have no financial effect on the corporation.

NYCEDC is the "Obligee" pursuant to a Promissory Note entered into with House of Spices Realty, LLC ("HoS"). The principal amount of the Promissory Note is \$3,600,000 with a maturity date of January 30, 2014, and is subject to certain cancellation provisions set forth in the Promissory Note. If the release conditions are satisfied prior to the Maturity Date, NYCEDC shall mark the Promissory Note "Cancelled" and return it to HoS, and thereafter HoS shall have no further obligation. As collection under the Promissory Note is contingent on the release conditions not being met, the Corporation has concluded that it would be inappropriate to recognize revenue under this agreement.

**18. New York City Public Utility Service**

The New York City Public Utility Service ("NYCPUS") was established in 1982 as The City's municipal electric utility to purchase hydropower at discounted rates from the New York Power Authority ("NYPA") and delivered locally by Consolidation Edison ("ConEd"). This power has been resold to eligible business customers at discounted rates. The NYCPUS program was transferred from The City to NYCEDC on March 1, 1995. Effective June 30, 2012, as a result of legislation, the operations of the NYCPUS program was terminated and replaced with a new State sponsored program.

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

Notes to Financial Statements (continued)

**19. Risk Management**

NYCEDC is exposed to various risks of loss-related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NYCEDC carries commercial insurance coverage for these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**20. Net Assets**

In order to present the financial condition and operating results of NYCEDC in a manner consistent with limitations and restrictions placed upon the use of resources, NYCEDC classifies its net assets into three categories, invested in capital assets, restricted, and unrestricted net assets. Invested in capital assets includes capital assets net of accumulated depreciation used in NYCEDC's operations. Restricted net assets include net assets that have been restricted in use in accordance with the terms of an award or agreement (other than the net assets generally available for City program activities under the NYCEDC Master Contract and the NYCEDC Maritime Contract) or by law. Unrestricted net assets include all net assets not included above. The NYCEDC Master Contract and the NYCEDC Maritime Contract limit the use of all unrestricted net assets to City program activities except for unrestricted net assets resulting from income self-generated by NYCEDC provided that NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC's unrestricted net assets exceed \$7,000,000 (see Note 3).

**Changes in Net Assets**

The changes in net assets during fiscal years 2012 and 2011 are as follows:

|                                   | <b>Restricted</b>    | <b>Unrestricted</b>   | <b>Invested in<br/>Capital<br/>Assets</b> | <b>Total</b>          |
|-----------------------------------|----------------------|-----------------------|---|-----------------------|
| Net assets, June 30, 2010         | \$ 106,847,140       | \$ 108,733,514        | \$ 3,957,726                              | \$ 219,538,380        |
| (Decrease) increase in net assets | (21,711,237)         | 113,539,347           | -   | 91,828,110            |
| Capital assets additions          | -                    | (1,739,676)           | 1,739,676                                 | -                     |
| Retirements/depreciation          | -                    | 1,395,760             | (1,395,760)                               | -                     |
| Net assets, June 30, 2011         | 85,135,903           | 221,928,945           | 4,301,642                                 | 311,366,490           |
| (Decrease) increase in net assets | <b>6,570,988</b>     | <b>9,523,743</b>      | -   | <b>16,094,731</b>     |
| Capital assets additions          | -                    | <b>(7,680,820)</b>    | <b>7,680,820</b>                          | -                     |
| Retirements/depreciation          | -                    | <b>1,459,097</b>      | <b>(1,459,097)</b>                        | -                     |
| Net assets, June 30, 2012         | <b>\$ 91,706,891</b> | <b>\$ 225,230,965</b> | <b>\$ 10,523,365</b>                      | <b>\$ 327,461,221</b> |

## Required Supplementary Information

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

Schedule of Funding Progress for the  
Retiree Health Care Plan

*(Dollars in Thousands)*

| Actuarial<br>Valuation Date | Actuarial<br>Value of Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) –<br>Level Dollar<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered<br>Payroll (b-a)/c |
|-----------------------------|-------------------------------------|---|------------------------------------|--------------------------|---------------------------|--|
| 6-30-2010 (1)               | –                                   | \$ 23,960   | \$ 23,960                          | 0%                       | \$ 34,542                 | 69.4%  |
| 6-30-2008                   | –                                   | 41,316  | 41,316                             | 0%                       | 30,645                    | 134.8%   |
| 6-30-2006                   | –                                   | 36,134  | 36,134                             | 0%                       | 32,471                    | 111.3%   |

(1) Effective July 1, 2011, the plan was amended to include revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. These amendments significantly reduced the number of current and future employees eligible for this benefit and resulted in an overall reduction in the actuarial accrued liability (“AAL”) at June 30, 2012.



## Supplementary Information

New York City Economic Development Corporation  
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Combining Statements of Revenues, Expenses and Changes in Fund Net Assets

|  | Unrestricted          | Restricted        |                     |                      |                      |                     |                      |                     | Total Restricted  | Year Ended June 30            |                       |                       |
|--|-----------------------|-------------------|---------------------|----------------------|----------------------|---------------------|----------------------|---------------------|-------------------|-------------------------------|-----------------------|-----------------------|
|  |                       | Brooklyn Army     | Maritime            | Other Properties     | Finance Programs     | Capital Programs    | Public Purpose       | NYC Public Utility  |                   | Apple 42 <sup>nd</sup> Street | 2012                  | 2011                  |
| Operating revenues:  |                       |                   |                     |                      |                      |                     |                      |                     |                   |                               |                       |                       |
| Grants   | \$ 89,968,009         | \$ -              | \$ -                | \$ -                 | \$ -                 | \$ 407,809,622      | \$ -                 | \$ -                | \$ -              | \$ 407,809,622                | \$ 497,777,631        | \$ 548,034,260        |
| Property rentals   | 22,165,272            | 17,512,459        | 68,788,406          | 2,624,503            | -                    | -                   | -                    | -                   | 29,298,030        | 118,223,398                   | 140,388,670           | 109,770,348           |
| Power sales  | -                     | -                 | -                   | -                    | -                    | -                   | -                    | 49,198,827          | -                 | 49,198,827                    | 49,198,827            | 54,261,376            |
| Fee income   | 11,915,912            | 22,605            | 26,352              | 6,584                | -                    | -                   | -                    | 15,579              | 1,156,606         | 1,227,726                     | 13,143,638            | 16,544,691            |
| Other income – 42 <sup>nd</sup> Street Development Project | 12,879,709            | -                 | -                   | -                    | -                    | -                   | -                    | -                   | -                 | -                             | 12,879,709            | 91,745,332            |
| Other income   | 5,462,442             | 4,295,394         | 6,496,707           | 53,807               | 6,757,287            | -                   | 2,344,473            | 665,357             | 455,708           | 21,068,733                    | 26,531,175            | 20,294,100            |
| Real estate sales, net                                     | 32,031,472            | -                 | -                   | -                    | -                    | -                   | -                    | -                   | -                 | -                             | 32,031,472            | 30,978,293            |
| <b>Total operating revenues</b>                            | <b>174,422,816</b>    | <b>21,830,458</b> | <b>75,311,465</b>   | <b>2,684,894</b>     | <b>6,757,287</b>     | <b>407,809,622</b>  | <b>2,344,473</b>     | <b>49,879,763</b>   | <b>30,910,344</b> | <b>597,528,306</b>            | <b>771,951,122</b>    | <b>871,628,400</b>    |
| Operating expenses:  |                       |                   |                     |                      |                      |                     |                      |                     |                   |                               |                       |                       |
| Project costs  | 86,368,854            | -                 | -                   | -                    | -                    | -                   | 2,255,945            | -                   | -                 | 2,243,552                     | 88,624,799            | 33,766,644            |
| Program costs  | -                     | -                 | -                   | -                    | 1,159,671            | 407,970,872         | -                    | -                   | -                 | 409,130,543                   | 409,130,543           | 500,232,669           |
| Property rentals and related operating expenses            | 5,460,806             | 9,730,303         | 25,798,823          | 1,648,685            | -                    | -                   | -                    | -                   | 2,446,925         | 39,624,736                    | 45,085,542            | 37,675,138            |
| Utility expenses   | -                     | -                 | -                   | -                    | -                    | -                   | -                    | 48,785,219          | -                 | 48,785,219                    | 48,785,219            | 53,381,447            |
| Personnel services   | 12,832,390            | 869,812           | 32,548,660          | -                    | 70,739               | -                   | 260,235              | 30,993              | -                 | 33,780,439                    | 46,612,829            | 46,046,263            |
| Office rent  | 7,777,937             | -                 | -                   | -                    | -                    | -                   | -                    | 186,362             | -                 | 186,362                       | 7,964,299             | 7,732,891             |
| Contract and other expenses to The City                    | 55,490,839            | -                 | 16,720,822          | 30,636               | -                    | 1,652               | -                    | -                   | 27,424,776        | 44,177,886                    | 99,668,725            | 89,904,572            |
| Other general expenses                                     | 9,081,329             | 327,987           | 249,121             | 71,068               | 153,471              | -                   | 11,844               | 363,659             | 392,971           | 1,570,450                     | 10,651,450            | 11,975,963            |
| <b>Total operating expenses</b>                            | <b>177,012,155</b>    | <b>10,928,102</b> | <b>75,317,426</b>   | <b>1,750,389</b>     | <b>1,383,881</b>     | <b>407,972,524</b>  | <b>2,528,024</b>     | <b>49,366,233</b>   | <b>30,264,672</b> | <b>579,511,251</b>            | <b>756,523,406</b>    | <b>780,715,587</b>    |
| Operating income (loss)                                    | (2,589,339)           | 10,902,356        | (5,961)             | 934,505              | 5,373,406            | (162,902)           | (183,551)            | 513,530             | 645,672           | 18,017,055                    | 15,427,716            | 90,912,813            |
| Nonoperating revenues:                                     |                       |                   |                     |                      |                      |                     |                      |                     |                   |                               |                       |                       |
| Income from investments                                    | 532,389               | -                 | 5,961               | -                    | 49,720               | 1,652               | 43,466               | 1,162               | 32,665            | 134,626                       | 667,015               | 915,297               |
| <b>Total nonoperating revenues</b>                         | <b>532,389</b>        | <b>-</b>          | <b>5,961</b>        | <b>-</b>             | <b>49,720</b>        | <b>1,652</b>        | <b>43,466</b>        | <b>1,162</b>        | <b>32,665</b>     | <b>134,626</b>                | <b>667,015</b>        | <b>915,297</b>        |
| Income (loss) before transfers                             | (2,056,950)           | 10,902,356        | -                   | 934,505              | 5,423,126            | (161,250)           | (140,085)            | 514,692             | 678,337           | 18,151,681                    | 16,094,731            | 91,828,110            |
| Interfund transfers  | 11,580,693            | (10,902,356)      | -                   | -                    | -                    | -                   | -                    | -                   | (678,337)         | (11,580,693)                  | -                     | -                     |
| Change in net assets                                       | 9,523,743             | -                 | -                   | 934,505              | 5,423,126            | (161,250)           | (140,085)            | 514,692             | -                 | 6,570,988                     | 16,094,731            | 91,828,110            |
| Net assets, beginning of year                              | 226,230,587           | 500,000           | 7,000,000           | 9,813,042            | 45,517,478           | 3,173,322           | 16,361,165           | 2,770,896           | -                 | 85,135,903                    | 311,366,490           | 219,538,380           |
| <b>Net assets, end of year</b>                             | <b>\$ 235,754,330</b> | <b>\$ 500,000</b> | <b>\$ 7,000,000</b> | <b>\$ 10,747,547</b> | <b>\$ 50,940,604</b> | <b>\$ 3,012,072</b> | <b>\$ 16,221,080</b> | <b>\$ 3,285,588</b> | <b>\$ -</b>       | <b>\$ 91,706,891</b>          | <b>\$ 327,461,221</b> | <b>\$ 311,366,490</b> |

# Government Auditing Standards Section

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

The Board of Directors  
New York City Economic Development Corporation

We have audited the financial statements of New York City Economic Development Corporation (“NYCEDC”), a component unit of The City of New York, as of and for the year ended June 30, 2012 and have issued our report thereon dated September 28, 2012. We conducted our audit 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.

**Internal Control Over Financial Reporting**

Management of NYCEDC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered NYCEDC’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NYCEDC’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NYCEDC’s internal control over financial reporting.

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 financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYCEDC'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 determination of financial statement 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*.

This report is intended solely for the information and use of the management, the Board of Directors, others within the entity and The City of New York and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

September 28, 2012

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

Schedule of Findings and Responses

Year Ended June 30, 2012

**Financial Statement Finding**

There are no current year findings.

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

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

| <b>Reference #</b> | <b>Summary of Finding</b>  | <b>Status</b>    |
|--------------------|--|------------------|
| 2011-01            | <b>New York City Public Utility Service Program Billings</b> – NYCEDC’s Accounting department did not have adequate review procedures to ensure that amounts billed to customers were in accordance with executed agreements with NYPA, ConEd and their customers. | Fully Remediated |
| 2011-02            | <b>Policies and Procedures</b> – NYCEDC’s Accounting Department does not maintain a comprehensive policies and procedures manual.  | Fully Remediated |

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