



FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

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

Financial Statements and Supplemental Information

Years Ended June 30, 2012 and 2011

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I. Financial Section

Report of Independent Auditors

The Board of Directors
New York City Industrial Development Agency

We have audited the balance sheets of the New York City Industrial Development Agency (the Agency), a component unit of The City of New York, as of June 30, 2012 and 2011 and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the Agency'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 the Agency'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 the Agency'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 Industrial Development Agency 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 20, 2012 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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, 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 an opinion on the financial statements that collectively comprise the Agency's financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic 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 20, 2012

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

Management's Discussion and Analysis

June 30, 2012

This section of the New York City Industrial Development Agency (IDA or the Agency) annual financial report presents our discussion and analysis of financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

2012 Financial Highlights

- Unrestricted cash, cash equivalents and investments increased \$3,728,033 (or 7%)
- Current liabilities increased \$10,962,323 (or 11%)
- Unrestricted net assets increased \$6,635,512 (or 13%)
- Operating income decreased \$4,482,267 (or 34%)
- Operating expenses decreased \$1,801,075 (or 22%)
- Nonoperating expenses increased \$22,428 (or 1%)

Overview of the Financial Statements

This annual financial report consists of three parts: Management's discussion and analysis (this section), basic financial statements and supplemental information. IDA is considered a component unit of The City of New York (the City) for financial reporting purposes, and a public benefit agency of the State of New York (the State). IDA was established in 1974 to actively promote, retain, attract, encourage and develop an economically sound commerce and industry base to prevent unemployment and economic deterioration in the City.

IDA is a self-supporting entity and follows enterprise fund reporting. Enterprise fund statements offer short-term and long-term financial information about the Agency's activities. The Agency operates in a manner similar to a private business.

Financial Analysis of the Agency

Net Assets – The following table summarizes IDA’s financial position at June 30, 2012, 2011, and 2010 (\$ in thousands) and the percentage changes between June 30, 2012, 2011 and 2010:

	2012	2011	2010	% Change	
				2012 – 2011	2011 – 2010
Current assets	\$ 76,529	\$ 69,069	\$ 62,416	11%	11%
Noncurrent assets	1,911,487	1,917,725	1,928,956	–	–
Total assets	1,988,016	1,986,794	1,991,372	–	–
Current liabilities	110,655	99,692	79,255	11	26
Noncurrent liabilities	1,820,087	1,836,464	1,872,619	(1)	(2)
Total liabilities	1,930,742	1,936,156	1,951,874	–	(1)
Total net assets	\$ 57,274	\$ 50,638	\$ 39,498	13%	28%

In fiscal year 2012, current assets increased by \$7,459,311 or 11% primarily as a result of the collection of the Liberty Bonds project finance fees of \$12,282,967. Noncurrent assets decreased by \$6,237,390 or 0.3% primarily as a result of payments relating to the Yankee Stadium and Queens Ballpark Projects.

In fiscal year 2011, current assets increased by \$6,653,055 or 11% as a result of the increase of the current portion of the lease receivable relating to the Yankee Stadium and Queens Ballpark Projects. Noncurrent assets decreased by \$11,231,028 or 0.6% due to the aforementioned lease receivable being current, and as a result of payments relating to the Yankee Stadium and Queens Ballpark Projects.

In fiscal year, 2012, unrestricted cash and unrestricted investments increased by \$3,728,033 or 7% primarily as a result of the increase in project finance fees amounts from the ESDC Liberty Project Bonds.

In fiscal year, 2011, the Due to the New York City Economic Development Corporation (EDC), under current liabilities, increased by \$2,274,041 or 241% as a result of the 2011 EDC contingency fee of \$1,863,194 derived from the Pfizer, Inc. transaction.

The Agency’s net assets increased by \$6,635,512 or 13% in fiscal year 2012 primarily as a result of the collection of the Liberty Bonds project finance fees of \$12,282,967.

The Agency’s net assets increased by \$11,140,207 or 28% in fiscal year 2011 primarily as a result of the net recapture benefits and other penalties in the amount of \$12,213,026.

Operating Activities

The Agency assists industrial, commercial and not-for-profit organizations in obtaining long-term, low-cost financing for capital assets through a financing transaction (the Financing Transaction), which includes the issuance of double and triple tax-exempt bonds. In addition, the Agency also assists participants through a “straight lease” structure. Whether the Agency issues tax-exempt bonds on behalf of project companies or merely enters into a straight lease, the

Agency may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment. During the years ended June 30, 2012 and 2011, IDA did not issue any tax exempt bonds.

During fiscal year 2007, in connection with the construction and financing of the Stadium Projects, the Agency issued Tax Exempt PILOT Revenue Bonds, Taxable Rental Revenue Bonds, Taxable Installment Purchase Bonds and Taxable Lease Revenue Bonds totaling \$1,580,475,000. The Taxable Bonds are special limited obligations of the Agency and are payable solely from revenues derived from the Lease Agreement with Yankee Stadium, LLC and the Lease Agreement and Installment Sales Agreement with Queens Ballpark Company, LLC.

Since the Tax Exempt PILOT Bonds were issued to finance the construction of the stadiums and the Agency is the legal owner of the stadiums, the Tax Exempt PILOT Revenue Bonds have been recorded in the Agency's books and records. The PILOT Bonds are special limited obligations of the Agency payable solely from Payment in lieu of Taxes (PILOT) Revenues derived from PILOTs made by Yankee Stadium, LLC and Queens Ballpark Company, LLC and as such have no financial impact on the Agency's overall financial position or results of operations.

The Agency charges various program fees that may include application fees, financing fees, legal fees and compliance fees. The Agency also charges servicing fees on any recapture of benefits from companies defaulting on their compliance requirements for IDA benefits.

The following table summarizes IDA's changes in net assets for fiscal years 2012, 2011, and 2010 (\$ in thousands) and the percentage changes between June 30, 2012, 2011 and 2010:

	2012	2011	2010	% Change	
				2012 – 2011	2011 – 2010
Operating revenues:					
Fee income	\$ 14,603	\$ 7,153	\$ 3,208	104%	123%
Other income	454	14,187	4,801	(97)	196
Total operating revenues	15,057	21,340	8,009	(29)	166
Operating expenses:					
Management fees	6,052	6,052	6,052	–	–
Other expenses	253	2,053	250	(88)	721
Total operating expenses	6,305	8,105	6,302	(22)	29
Operating income	8,752	13,235	1,707	(34)	675
Nonoperating revenues (expenses):					
Earnings on investments	139	349	392	(60)	(11)
Special project costs	(2,255)	(2,444)	(1,762)	(8)	39
PILOT lease income	107,022	104,231	103,111	3	1
PILOT investment income	2,628	1,734	3,969	52	(56)
Bond interest expense	(109,650)	(105,965)	(107,080)	3	(1)
Total nonoperating revenues (expenses)	(2,116)	(2,095)	(1,370)	1	53
Change in net assets	6,636	11,140	337	(40)	3,206
Beginning net assets	50,638	39,498	39,161	28	1
Ending net assets	\$ 57,274	\$ 50,638	\$ 39,498	13	28

In fiscal year 2012, revenues relating to fee income increased by \$7,450,060 or 104%. This is directly a result of fees collected from the ESDC Liberty Project Bonds in the amount of \$12,282,967.

In fiscal year 2012, revenues relating to other operating income decreased by \$13,733,402 or 97%. This is a result of the decrease in recapture benefits.

In fiscal year 2011, revenues relating to other operating income increased by \$9,386,156 or 195%. This is a result of recapture benefits for Pfizer Inc. and other benefits recapture amounts.

Total operating expenses decreased by \$1,801,075 in fiscal year 2012 or 22%. This is a result of no EDC contingency fees being recorded for the current fiscal year.

Special project costs decreased by \$188,416 or 8% in fiscal year 2012 due to the completion of several projects during the prior fiscal year.

Special project costs increased by \$681,462 or 39% in fiscal year 2011 due to the completion of several projects during the current fiscal year.

Contacting the Agency's Financial Management

This financial report is designed to provide our customers, clients and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Public Information Officer, New York City Economic Development Corporation, 110 William Street, New York, NY 10038.

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

Balance Sheets

	June 30	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents <i>(Note 3)</i>	\$ 15,532,449	\$ 34,424,672
Investments <i>(Note 3)</i>	35,807,089	9,328,191
Restricted cash <i>(Note 3)</i>	782,402	2,362,171
Restricted investments <i>(Note 3)</i>	2,382,739	2,382,739
Fees receivable, net of allowance for doubtful accounts of \$16,361 and \$42,062, respectively	101,877	298,546
PILOT lease receivable, net	21,921,845	20,272,771
Total current assets	76,528,401	69,069,090
Noncurrent assets:		
Investments <i>(Note 3)</i>	6,511,536	10,370,178
Restricted cash – stadium projects <i>(Note 3)</i>	49,260,600	49,291,749
Restricted investments – stadium projects <i>(Note 3)</i>	86,540,373	86,824,964
PILOT lease receivable, net	1,678,487,529	1,685,393,768
Deferred bond issuance costs	75,796,829	79,184,037
Deferred outflow of resources <i>(Note 7)</i>	14,890,407	6,659,968
Total noncurrent assets	1,911,487,274	1,917,724,664
Total assets	\$ 1,988,015,675	\$ 1,986,793,754
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 77,064	\$ 61,313
Due to New York City Economic Development Corporation	443,110	3,219,124
Bonds payable – current	21,921,845	20,272,771
Interest payable on bonds	84,888,213	70,891,047
Unearned revenues <i>(Note 5)</i>	432,070	480,738
Other liabilities	2,892,277	4,767,263
Total current liabilities	110,654,579	99,692,256
Noncurrent liabilities:		
Bonds payable, net <i>(Note 6)</i>	1,805,197,118	1,829,803,471
Derivative instrument – interest rate swap <i>(Note 7)</i>	14,890,407	6,659,968
Total noncurrent liabilities	1,820,087,525	1,836,463,439
Total liabilities	1,930,742,104	1,936,155,695
Unrestricted net assets	57,273,571	50,638,059
Total liabilities and net assets	\$ 1,988,015,675	\$ 1,986,793,754
<i>See accompanying notes.</i>		

New York City Industrial Development Agency
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Statements of Revenues, Expenses and Changes in Fund Net Assets

	Year Ended June 30	
	2012	2011
Operating revenues:		
Fee income (<i>Note 2</i>)	\$ 14,602,728	\$ 7,152,668
Recapture and other related benefits (<i>Note 2</i>)	405,377	14,076,220
Other income (<i>Note 2</i>)	48,528	111,087
Total operating revenues	15,056,633	21,339,975
Operating expenses:		
Management fees (<i>Note 4</i>)	6,052,117	6,052,117
Accounting fees	85,331	66,724
Consulting fees	59,886	27,945
Public hearing expenses	95,235	66,042
Marketing/advertising	2,281	6,827
Legal fees	5,000	11,000
Miscellaneous expenses	4,405	11,481
Contingency fee – EDC	–	1,863,194
Total operating expenses	6,304,255	8,105,330
Operating income	8,752,378	13,234,645
Nonoperating revenues (expenses):		
Investment income	138,606	349,450
Special project costs (<i>Note 9</i>)	(2,255,472)	(2,443,888)
PILOT lease income	107,021,980	104,230,950
PILOT investment income	2,628,495	1,733,669
Bond interest expense	(109,650,475)	(105,964,619)
Total nonoperating revenues (expenses)	(2,116,866)	(2,094,438)
Change in net assets	6,635,512	11,140,207
Net assets, unrestricted, beginning of year	50,638,059	39,497,852
Net assets, unrestricted, end of year	\$ 57,273,571	\$ 50,638,059

See accompanying notes.

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

Statements of Cash Flows

	Year Ended June 30	
	2012	2011
Cash flows from operating activities		
Financing and other fees	\$ 14,798,524	\$ 7,010,853
Other income	28,263	46,686
Management fees paid	(6,052,117)	(6,052,117)
Consulting fees paid	–	(19,184)
Accounting fees paid	(80,236)	(69,530)
Public hearing fees paid	(104,599)	(55,763)
Marketing fees paid	(2,505)	(6,702)
Legal fees paid	(5,000)	(11,000)
Miscellaneous expenses paid	(4,153)	(1,797)
Other	(28,749)	–
Recapture benefits and other penalties received	187,968	27,912,700
Payment to NYC and other agencies of recaptured benefits	(58,800)	(11,485,035)
Refund of recapture benefits	(1,579,769)	–
Payment to EDC for contingency fees	(1,863,194)	–
Net cash provided by operating activities	5,235,633	17,269,111
Cash flows from investing activities		
Sale of investments	397,789,305	870,331,714
Purchase of investments	(420,310,718)	(838,025,621)
Investment income	2,913,086	2,827,839
Interest income	39,756	349,450
Net cash (used in) provided by investing activities	(19,568,571)	35,483,382
Cash flows from capital and related financing activities		
Interest payments on outstanding bonds	(88,686,907)	(85,722,076)
Payments for construction in progress	–	(318,990)
Bond principal redemption	(20,272,771)	(18,993,558)
Swap payments received	8,199,081	4,762,010
Swap payments made	(8,100,759)	(8,100,758)
Bond fees	(2,188,395)	(1,639,505)
PILOT revenue	112,279,147	118,185,209
IRS arbitrage rebate payment	(4,173,631)	–
Net cash (used in) provided by capital and related financing activities	(2,944,235)	8,172,332
Cash flows from noncapital financing activities		
Special projects	(3,225,968)	(1,974,740)
Net cash used in noncapital financing activities	(3,225,968)	(1,974,740)
Net (decrease) increase in cash and cash equivalents	(20,503,141)	58,950,085
Cash and cash equivalents at beginning of year	86,078,592	27,128,507
Cash and cash equivalents at end of year	\$ 65,575,451	\$ 86,078,592

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

Statements of Cash Flows (continued)

	Year Ended June 30	
	2012	2011
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 8,752,378	\$ 13,234,645
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Fees receivable	196,669	(100,199)
Accounts payable and accrued expenses	15,750	(6,154)
Due to NYC Economic Development Corp.	(1,805,517)	1,804,893
Other liabilities	(1,874,979)	2,384,524
Unearned revenue	(48,668)	(48,598)
Net cash provided by operating activities	\$ 5,235,633	\$ 17,269,111
 Supplemental disclosures of noncash activities:		
Unrealized loss on investments	\$ (441,680)	\$ (346,175)

See accompanying notes.

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

Notes to Financial Statements

June 30, 2012

1. Background and Organization

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

The Agency assists industrial, commercial and not-for-profit organizations in obtaining long-term, low-cost financing for capital assets through a financing transaction (the Financing Transaction), which includes the issuance of double and triple tax-exempt industrial development bonds (IDBs). The participating organizations (the Beneficiaries), in addition to satisfying legal requirements under the Agency's governing laws, must meet certain economic development criteria, the most important of which is job creation and/or retention. In addition, the Agency assists participants who do not qualify for IDBs through a "straight lease" structure. The straight lease also provides tax benefits to the participants without having to issue IDBs or otherwise participate in the Beneficiary's financing. Whether the Agency issues IDBs or merely enters into a straight lease, the Agency may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes (PILOT) that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment.

When the Agency issues IDBs, the proceeds of the IDB financing are conveyed to an independent bond trustee for disbursement to the Beneficiary. The Beneficiary concurrently conveys the project or other collateral to the Agency for a nominal sum and the Agency in turn leases the property or other collateral back to the Beneficiary for a period concurrent with the maturity of the related IDB. Rental payments are calculated to be sufficient to meet the debt service obligation on the IDB (the Financing Lease). The Financing Lease includes a bargain purchase option, which allows the Beneficiary to repurchase the property for a nominal sum upon expiration of the Financing Lease and after satisfaction of all terms thereof.

The IDBs are special nonrecourse conduit debt obligations of the Agency which are payable solely from the rents and revenues provided for in the Financing Lease to the Beneficiary. The IDBs are secured by a collateral interest in the Financing Lease, the Beneficiary's project property and leases and, in certain circumstances, by guarantees from the Beneficiary or from its principals or affiliates or other forms of additional security. Both the IDBs and certain provisions of the Financing Lease are administered by an independent bond trustee appointed by the Agency.

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

Notes to Financial Statements (continued)

1. Background and Organization (continued)

Due to the fact that (1) the IDBs are nonrecourse conduit debt obligations to the Agency, (2) the Agency assigns its interest in the Financing Lease as collateral, and (3) since the Agency has no substantive obligations under the Financing Lease (other than to convey back the project property at the end of the IDB term, and to issue IDBs in those projects where subsequent issuance is contemplated), the Agency has, in effect, none of the risks and rewards of the Financing Lease and related IDB financing. Accordingly, with the exception of certain fees derived from the Financing Transaction, the Financing Transaction itself is given no accounting recognition in the accompanying financial statements.

In addition to IDB financing, the Agency also issued Tax Exempt PILOT Revenue Bonds, Taxable Rental Revenue Bonds, Taxable Installment Purchase Bonds and Taxable Lease Revenue Bonds in connection with the construction of the new Yankee Stadium and Citi Field (the “Stadium Projects”). Yankee Stadium, LLC, a Delaware limited liability company, and Queens Ballpark, LLC, a New York limited liability company, undertook the design, development, acquisition and construction of the Stadium Projects. The Taxable Bonds are special limited obligations of the Agency and are payable solely from revenues derived from a Lease Agreement with Yankee Stadium, LLC and a Lease Agreement and Installment Sales Agreement with Queens Ballpark Company, LLC and as such have no financial impact on the Agency’s overall financial position or results of operations and, accordingly, are given no accounting recognition in the accompanying financial statements.

The Tax Exempt PILOT Bonds are special limited obligations of the Agency payable solely from PILOT Revenues derived from PILOTs made by Yankee Stadium, LLC and Queens Ballpark Company, LLC. However, since the Tax Exempt PILOT Bonds were issued to finance the construction of the Stadiums and because the Agency is the legal owner of the Stadiums, the Tax Exempt PILOT Bonds have been recorded in the Agency’s books and records.

The Agency is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by statute and includes public officials and private business leaders.

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

1. Background and Organization (continued)

To support the activities of the Board of Directors, the Agency annually enters into a contract with the New York City Economic Development Corporation (EDC). Under the terms set forth in the EDC and IDA Agreement, EDC is to provide IDA with all the professional, clerical and technical assistance it needs to accomplish its objectives. These services include comprehensive financial analyses, processing and presentation of projects to the Board of Directors and project compliance monitoring.

2. Summary of Significant Accounting Policies

Basis of Presentation

IDA is classified as an “enterprise fund,” as defined by the Governmental Accounting Standards Board (GASB), and, as such, the financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. In its accounting and financial reporting, the IDA follows the pronouncements of the GASB.

The Agency uses financial derivative instruments to reduce financing costs in connection with the issuance of the Series 2006 Tax Exempt PILOT Bonds outstanding under the Yankee Stadium project. In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which establishes accounting and reporting requirements for derivative instruments. The Agency adopted GASB No. 53 as of July 1, 2009. The adoption of GASB No. 53 did not have a significant impact on the Agency’s financial results as discussed further in Note 7.

Cash Equivalents

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

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Upcoming Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (“GASB No. 63”). This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflow of resources. Deferred outflows is defined as the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows is defined as the acquisition of net assets by the government that is applicable to a future reporting period. GASB No. 63 also amends the net asset reporting requirement 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 provisions of this Statement are effective for financial statements for the periods beginning after December 15, 2011. The Corporation has not completed the process for evaluating the impact that will result from adopting GASB 63.

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.

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 65.

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue and Expense Classification

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

Other operating income represents administrative fees and penalties associated with the recapture of IDA benefits remitted by certain beneficiaries. Recaptured IDA benefits represent the difference between the full tax amount and the PILOT amount remitted by the beneficiaries and result from a beneficiary's violation of an IDA agreement covenant. Recaptured benefits are recorded net of amounts due to the City and recorded as other liabilities until such time as they are disbursed to the City. For the year ended June 30, 2012, no recapture benefits were required to be remitted to the City. For the year ended June 30, 2011, \$10,674,668 was remitted to the City relating to these recapture benefits. IDA's operating expenses include management fees and other administrative expenses. All other revenues and expenses not described above are considered nonoperating.

Debt Issuance Costs, Bond Discount and Other Bond Related Costs

Debt issuance costs are deferred and amortized over the life of the related bonds using a method approximating the effective interest method. Discount and premium on bonds are deferred and amortized to interest expense using a method approximating the effective interest method.

3. Cash and Investments

Cash

At year-end, IDA's bank balance was \$7,951,398. Of this amount, \$250,000 was covered by Federal Depository Insurance Corporation (FDIC) and \$7,701,398 was collateralized with securities held by the pledging financial institution in IDA's name.

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

3. Cash and Investments (continued)

Investments

As of June 30, 2012 and 2011, the Agency had the following investments. Investments maturities are shown for June 30, 2012 only (in thousands).

	Fair Value		2012	
			Investment Maturities (In Years)	
	2012	2011	Less Than 1	1 to 2
Money Market & Mutual Funds	\$ 5,581	\$ 19,100	\$ 5,581	\$ –
Federal National Mort. Assn. Notes	6,262	6,013	4,254	2,008
Federal Home Loan Mort. Corp Notes	11,053	1,074	9,051	2,002
Certificates of Deposit	1,302	821	1,302	–
Federal Home Loan Bank Notes	9,526	4,039	9,526	–
Federal Farm Credit Bank Notes	6,531	–	4,030	2,501
U.S. Treasury Bills	6,032	8,136	6,032	–
Commercial Paper	5,995	–	5,995	–
Restricted investments – stadium projects	86,540	86,825	20,577	65,963
Total	<u>138,822</u>	<u>126,008</u>	<u>\$ 66,348</u>	<u>\$ 72,474</u>
Less investments classified as cash equivalents and restricted investments – stadium projects	<u>(94,121)</u>	<u>(103,927)</u>		
Total investments	<u>\$ 44,701</u>	<u>\$ 22,081</u>		

IDA's investment policy permits the Agency 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 are guaranteed by the United States of America as well as obligations of the State. All investments are carried at fair value based on quoted market prices. All investments are either insured or registered and held by the Agency or its agent in the Agency's name.

Interest Rate Risk: The Agency does have a formal investment policy which limits investment maturities to a maximum of 2 years from the date of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

3. Cash and Investments (continued)

Credit Risk: It is the Agency's policy to limit its investments in debt securities to obligations of the United States of America and its agencies, and obligations of the State of New York. As of June 30, 2012, the Agency's investments in Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA 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 Agency 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 Agency.

The Agency 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 Agency.

Concentration of Credit Risk: The Agency places no limit on the amount the Agency may invest in any one issuer. The following table shows investments that represent 5% or more of total investments (dollars in thousands):

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2012		June 30, 2011	
Federal National Mortgage Assn.	\$ 6,262	14.01%	\$ 6,013	27.26%
Federal Home Loan Bank	9,526	21.31%	4,039	18.32%
Federal Home Loan Mort. Corp Notes	11,053	24.73%	-	-
Federal Farm Credit Bank Notes	6,531	14.61%	-	-

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

3. Cash and Investments (continued)

Restricted Cash and Investments – Stadia Projects

Restricted cash and investments, primarily related to the Stadia projects, are segregated and designated for purposes of the debt reserve fund and to pay future bond interest and principal payments. These investments are managed by an external investment portfolio manager. Qualified investments, as defined in the Bond agreements, are made under the direction of the Agency. Under the Bond Agreements, the Agency does not have any obligation to make further contributions to the Stadium Construction Funds. Accordingly, the Agency's financial responsibility will not exceed the amounts originally deposited in the managed investment portfolio. Therefore, the Agency's obligation is not affected by various risks which include credit risk, interest rate risk and concentration of credit risk. In addition, the restricted investments are not required to be administered in accordance with the Agency's or New York State investment guidelines.

4. Management Fees and Other Charges

To support the activities of the Board of Directors, the Agency annually enters into a contract with the New York City Economic Development Corporation (EDC), a not-for-profit local development corporation and a component unit of The City of New York, organized to administer government financing programs which foster business expansion in the City. Under the terms set forth in the EDC and IDA Agreement, EDC is to provide IDA with all the professional, clerical and technical assistance it needs to accomplish its objectives. These services include comprehensive financial analyses, processing and presentation of projects to the Board of Directors, and project compliance monitoring.

The fixed annual fee for these services is based on an agreement between EDC and the Agency. Such fees amounted to \$6,052,117 for the each of the years ended June 30, 2012 and 2011.

During the year ended June 30, 2011, contingency fees in the amount of \$1,863,194, were recorded as due to EDC from recapture benefits collected. No such amounts were collected during the year ended June 30, 2012.

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

5. Unearned Revenues

Unearned revenues consisted of the following:

	June 30	
	2012	2011
Compliance monitoring fees and other	\$ 432,070	\$ 480,738

6. Bonds Payable

The changes in outstanding Series 2006 and Series 2009 Tax Exempt PILOT Bonds are summarized as follows (in thousands):

Description	Bonds Outstanding June 30, 2011	New Bond Issuances	Matured/ Called/ Redeemed	Bonds Outstanding June 30, 2012	Amount Due Within One Year
Queens Baseball Stadium Project:					
Series 2006 PILOT Bonds, 3.6% to 5%, due 2046	\$ 536,500	\$ --	\$ 5,785	\$ 530,715	\$ 6,075
Series 2009 PILOT Bonds, 4.0% to 6.50%, due 2046	81,040	--	710	80,330	745
Yankee Stadium Project:					
Series 2006 PILOT Revenue Bonds, 3.6% to 5%, due 2046	713,335	--	11,755	701,580	12,350
Series 2006 CPI Bonds, 3.2% to 3.5%, due 2027	198,120	--	--	198,120	--
Series 2009 Capital Appreciation Bonds, 4.03% to 7.90%, due 2047	65,451	--	2,023	63,428	2,752
Series 2009 Current Interest Term Bonds, 7.00%, due 2049	191,960	--	--	191,960	--
Total	1,786,406	\$ --	\$ 20,273	1,766,133	\$ 21,922
Net premium (discount)	63,670			60,986	
Bonds payable, net	\$ 1,850,076			\$ 1,827,119	

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

6. Bonds Payable (continued)

Description	Bonds Outstanding June 30, 2010	New Bond Issuances	Matured/ Called/ Redeemed	Bonds Outstanding June 30, 2011	Amount Due Within One Year
Queens Baseball Stadium Project:					
Series 2006 PILOT Bonds, 3.6% to 5%, due 2046	\$ 542,030	\$ -	\$ 5,530	\$ 536,500	\$ 5,785
Series 2009 PILOT Bonds, 4.0% to 6.50%, due 2046	81,720	-	680	81,040	710
Yankee Stadium Project:					
Series 2006 PILOT Revenue Bonds, 3.6% to 5%, due 2046	724,530	-	11,195	713,335	11,755
Series 2006 CPI Bonds, 3.2% to 3.5%, due 2027	198,120	-	-	198,120	-
Series 2009 Capital Appreciation Bonds, 4.03% to 7.90%, due 2047	67,040	-	1,589	65,451	2,023
Series 2009 Current Interest Term Bonds, 7.00%, due 2049	191,960	-	-	191,960	-
Total	<u>1,805,400</u>	<u>\$ -</u>	<u>\$ 18,994</u>	<u>1,786,406</u>	<u>\$ 20,273</u>
Net premium (discount)	66,377			63,670	
Bonds payable, net	<u>\$ 1,871,777</u>			<u>\$ 1,850,076</u>	

Queens Baseball Stadium Project

On August 22, 2006, IDA issued Tax Exempt PILOT Bonds (Queens Baseball Stadium Project) Series 2006 in the amount of \$547,355,000 (the PILOT Bonds) for the purpose of financing the design, development, acquisition, construction, and equipping a Major League Baseball Stadium to be used by the New York Mets professional baseball team, the improvement of certain parking facilities, and the demolition of Shea Stadium (collectively the Project), funding the capitalized interest funds, to purchase debt service reserve credit facilities, and to pay for bond issuance costs. The PILOT Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Queens Ballpark Company, L.L.C. pursuant to the PILOT Agreement dated August 1, 2006 and certain funds and accounts held under the PILOT Bonds Indenture. Payment of the principal and interest on the PILOT Bonds is insured by an insurance policy from Ambac Assurance Corporation. No other funds or assets of IDA are pledged towards the payment of such bonds. The original issue premium of \$20,632,088 and bond issuance costs of \$20,594,260 are being amortized over the life of the Series 2006 bonds.

At June 30, 2012 and 2011, \$530,715,000 and \$536,500,000, respectively, of the Series 2006 Bonds remained outstanding. The Series 2006 Bonds bear interest at fixed rates to the maturity thereof, payable semiannually each January 1 and July 1, commencing January 1, 2007.

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

6. Bonds Payable (continued)

On February 5, 2009, IDA issued additional Tax Exempt PILOT Bonds (Queens Baseball Stadium Project) Series 2009 in the amount of \$82,280,000 (the PILOT Bonds) for the purpose of financing the completion of a Major League Baseball Stadium to be used by the New York Mets professional baseball team, the improvement of certain parking facilities, and the demolition of Shea Stadium (collectively the Project) (see Note 8), funding the capitalized interest funds, to purchase debt service reserve credit facilities, and to pay for bond issuance costs. The PILOT Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Queens Ballpark Company, L.L.C. pursuant to the PILOT Agreement dated August 1, 2006 and certain funds and accounts held under the PILOT Bonds Indenture. Payment of the principal and interest on the PILOT Bonds is insured by an insurance policy from Assured Guaranty Corp. No other funds or assets of IDA are pledged towards the payment of such bonds. The original issue discount of \$1,212,774 and bond issuance costs of \$6,335,497 are being amortized over the life of the Series 2009 bonds.

At June 30, 2012 and 2011, \$80,330,000 and \$81,040,000, respectively, of the Series 2009 Bonds remained outstanding. The Series 2009 Bonds bear interest at fixed rates to the maturity thereof, payable semiannually each January 1 and July 1, commencing July 1, 2009.

Yankee Stadium Project

On August 22, 2006, IDA issued Tax Exempt PILOT Revenue Bonds (Yankee Stadium Project) Series 2006 in the amount of \$942,555,000, which consist of the PILOT Revenue Bonds and the CPI Bonds in the amount of \$744,435,000 and \$198,120,000, respectively, for the purpose of paying a portion of the design, development, acquisition, construction, and fitting out of a Major League Baseball Stadium located in the Bronx, New York to be used by the New York Yankees Major League Baseball team and to pay for various bond issuance costs. The PILOT Revenue Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Yankee Stadium LLC pursuant to the PILOT Agreement dated August 1, 2006 and certain funds and accounts held under the PILOT Bonds Indenture. Payment of principal and interest on the PILOT Revenue Bonds maturing on September 1, 2009, March 1, 2010 through and including March 1, 2015, March 1, 2023, March 1, 2024, March 1, 2036, and certain related bonds maturing on March 1, 2046 is insured by an insurance policy from MBIA Insurance Corporation. Payment of principal and

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Notes to Financial Statements (continued)

6. Bonds Payable (continued)

interest on the PILOT Revenue Bonds maturing on March 1, 2016 through and including March 1, 2022, March 1, 2025 through and including March 1, 2028, March 1, 2031, March 1, 2039, and certain bonds maturing on March 1, 2046 is insured by an insurance policy from Financial Guaranty Insurance Company. No other funds or assets of IDA are pledged towards the payment of such bonds.

The original issue premium of \$23,613,578 and bond issuance costs of \$32,474,345 are being amortized over the life of the Series 2006 bonds.

The CPI Bonds will pay interest to the bondholders on the first business day of each month beginning October 2, 2006 with funds provided by Goldman Sachs Capital Markets (GSCM) according to the Swap agreement between IDA and GSCM, dated August 16, 2006. Funds from the IDA capitalized interest account will be used to reimburse GSCM at the fixed swap interest rates every March 1 and September 1, beginning March 1, 2007. The average fixed swap interest rate for the years ended June 30, 2012 and 2011 was 4.07%. The average CPI Swap interest rates for the years ended June 30, 2012 and 2011 were 4.06% and 2.47%, respectively.

Interest on the Series 2006 PILOT bonds, excluding the CPI Bonds, are payable on March 1 and September 1, in each year, beginning March 1, 2007. At June 30, 2012 and 2011, \$899,700,000 and \$911,455,000, respectively, of the Series 2006 Revenue Bonds remained outstanding.

On February 5, 2009, IDA issued additional Tax Exempt PILOT Revenue Bonds (Yankee Stadium Project) Series 2009 in the amount of \$258,999,945, which consist of the PILOT Capital Appreciation Bonds and the PILOT Current Interest Term Bonds in the amount of \$67,039,945 and \$191,960,000, respectively, for the purpose of completion of a Major League Baseball Stadium located in the Bronx, New York to be used by the New York Yankees Major League Baseball team and to pay for various bond issuance costs. The PILOT Revenue Bonds are special limited obligations of IDA payable solely from and secured by PILOT revenues made by Yankee Stadium LLC pursuant to the PILOT Agreement dated August 1, 2006 and certain funds and accounts held under the PILOT Bonds Indenture. Payment of the principal and interest on the PILOT Bonds is insured by an insurance policy from Assured Guaranty Corp. No other funds or assets of IDA are pledged towards the payment of such bonds. The original issue premium of \$31,279,722 and bond issuance costs of \$33,414,554 are being amortized over the life of the Series 2009 bonds.

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Notes to Financial Statements (continued)

6. Bonds Payable (continued)

At June 30, 2012 and 2011, \$255,388,000 and \$257,411,387, respectively, of the Series 2009 Bonds remained outstanding. The Series 2009 Capital Appreciation Bonds accrete interest, payable only upon maturity or prior redemption. The Series 2009 Current Interest Term Bonds bear interest at a fixed rate of 7.0% to the maturity thereof, payable each September 1 and March 1, commencing September 1, 2009.

Required debt payments for the next five years and thereafter are as follows (in thousands):

Year Ended June 30	Principal	Interest	Total
2013	\$ 21,922	\$ 101,421	\$ 123,343
2014	23,478	100,113	123,591
2015	24,942	98,706	123,648
2016	25,228	97,449	122,677
2017	26,408	95,980	122,388
2018 – 2022	142,810	455,163	597,973
2023 – 2027	167,787	410,265	578,052
2028 – 2032	207,064	355,053	562,117
2033 – 2037	263,484	287,694	551,178
2038 – 2042	335,808	207,226	543,034
2043 – 2047	389,367	106,063	495,430
2048 – 2049	137,835	11,418	149,253
Total	<u>\$ 1,766,133</u>	<u>\$ 2,326,551</u>	<u>\$ 4,092,684</u>

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

6. Bonds Payable (continued)

Swap Payments and Associated Debt

The table that follows represents debt service payments on the CPI Bonds, plus the net swap payments associated with those bonds, as of June 30, 2012. The below amounts are included in the above required debt payment table. Although interest rates on variable rate debt change over time, the calculations included in the table below are based on the assumption that the variable rate on June 30, 2012 remains constant over the life of the bonds (in thousands):

Year Ended June 30	CPI Bonds		Fixed Interest Rate Swaps, Net	Total
	Principal Maturities	CPI Interest		
2013	\$ —	\$ 6,176	\$ 1,925	\$ 8,101
2014	—	6,176	1,925	8,101
2015	—	6,176	1,925	8,101
2016	13,135	6,046	1,886	21,067
2017	13,650	5,786	1,808	21,244
2018 – 2022	76,970	22,351	7,019	106,340
2023 – 2027	94,365	9,251	2,933	106,549
Total	\$ 198,120	\$ 61,962	\$ 19,421	\$ 279,503

7. Derivative Instruments

Objectives of the Swaps

In connection with the issuance of the Series 2006 Tax Exempt PILOT Bonds maturing annually beginning on March 1, 2016 through and including March 1, 2027 (the CPI Bonds) currently outstanding under the Yankee Stadium Project, IDA has entered into a Swap Agreement to hedge the changes in the cash flows of the CPI Bonds. Based on the consistency of the terms of the swap and the CPI Bonds, the swap is a hedging instrument using the consistent critical terms method.

The Agency adopted GASB 53 effective July 1, 2009. The impact of this adjustment was to report an interest rate swap derivative instrument liability and a corresponding “deferred outflow of resources” at June 30, 2012. The fair value of the derivative instrument liability and the corresponding deferred outflow of resources were \$14.9 million and \$6.7 million at June 30, 2012 and 2011, respectively.

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

7. Derivative Instruments (continued)

Terms, Fair Values, and Credit Risk

The Agency pays a fixed interest rate on the notional amount that represents the principal amount of the related bonds. As noted under “Basis Risk” paragraph in the note, the counterparty will be paying the Agency a floating interest rate on the notional amount of the swap which is expected to result in an amount that is equal to the variable interest payments to be made by the Agency to the Bondholders of the related CPI Bonds. At times, the payments due from the counterparty and the Agency will be netted and only one net payment will be made from one party to the other, but this will not change the Agency’s obligation to make the variable interest payments to the Bondholders of the related CPI Bonds. IDA will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated; however IDA’s recourse with respect to the swap liability is only to the extent that the IDA receives a PILOT payment for the Yankees.

The following table displays the terms of the Agency’s hedging derivative instruments outstanding at June 30, 2012:

Trade Reference #	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Counterparty
nuus6085p	8/22/2006	3/1/2016	3.860%	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085q	8/22/2006	3/1/2017	3.920	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085r	8/22/2006	3/1/2018	3.960	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085s	8/22/2006	3/1/2019	4.010	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085t	8/22/2006	3/1/2020	4.050	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085u	8/22/2006	3/1/2021	4.090	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085v	8/22/2006	3/1/2022	4.120	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085w	8/22/2006	3/1/2023	4.140	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085x	8/22/2006	3/1/2024	4.160	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085y	8/22/2006	3/1/2025	4.180	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6085z	8/22/2006	3/1/2026	4.190	CPI Rate *	Goldman Sachs Capital Markets, LP
nuus6086	8/22/2006	3/1/2027	4.210	CPI Rate *	Goldman Sachs Capital Markets, LP

* The Consumer Price Index for purposes of the CPI Bonds is the Nonrevised Index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment (CPI), published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor (BLS) and reported on Bloomberg CPURNSA.

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

7. Derivative Instruments (continued)

The fair value balance and notional amounts of derivative instruments outstanding, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2012 financial statements are as follows (in thousands):

	Change in Fair Value		Fair Value at June 30, 2011		Notional Amount
	Classification	Amount	Classification	Amount	
Cash flow hedges					
Pay fixed swaps:					
nuus6085p	Deferred inflow of resources	\$ (289)	Debt	\$ (735)	\$ 13,135
nuus6085q	Deferred inflow of resources	(350)	Debt	(833)	13,650
nuus6085r	Deferred inflow of resources	(407)	Debt	(899)	14,195
nuus6085s	Deferred inflow of resources	(482)	Debt	(983)	14,765
nuus6085t	Deferred inflow of resources	(552)	Debt	(1,059)	15,360
nuus6085u	Deferred inflow of resources	(627)	Debt	(1,148)	15,995
nuus6085v	Deferred inflow of resources	(723)	Debt	(1,236)	16,655
nuus6085w	Deferred inflow of resources	(801)	Debt	(1,329)	17,350
nuus6085x	Deferred inflow of resources	(864)	Debt	(1,454)	18,075
nuus6085y	Deferred inflow of resources	(948)	Debt	(1,597)	18,835
nuus6085z	Deferred inflow of resources	(1,044)	Debt	(1,727)	19,630
nuus6086	Deferred inflow of resources	(1,143)	Debt	(1,890)	20,475
		<u>\$ (8,230)</u>		<u>\$ (14,890)</u>	

Credit Risk

The swap agreements contain collateral agreements with the counterparty. The counterparty only posts collateral if (i) the rating of The Goldman Sachs Group, Inc. falls to BBB+ or Baa1 or below from either of Moody's or S&P and (ii) the market value of the swap transactions covered by the credit support annex is in favor of the Agency in an amount that exceeds the threshold amount and the minimum transfer amount. Collateral that is posted can be cash, treasuries or agencies (FNMA, GNMA and FHLMC). This protects the Agency by mitigating the credit risk inherent in the swap. As of June 30, 2012, The Goldman Sachs Group Inc. is rated A3/A-/A. Additionally, the Agency is only obligated to pay as the counterparty to the extent of the receipt of PILOT revenues from Yankee Stadium LLC.

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Notes to Financial Statements (continued)

7. Derivative Instruments (continued)

Basis Risk

Basis risk exists to the extent the Agency's variable-rate bond coupon payments do not exactly equal the index on the swap. The floating rate that the Agency is entitled to receive under the swap agreement is expected to be identical to the floating rate payable by the Agency with respect to the CPI Bonds.

Interest Rate Risk

IDA's interest rate swaps serve to guard against a rise in variable interest rates associated with its outstanding variable rate bonds.

Termination Risk

The Agency retains the right to terminate any swap agreement at the market value prior to its scheduled termination date. The Agency has termination risk under the contract as defined in the swap documents and has purchased termination payment insurance on certain swap contracts, which acts as a buffer against a portion of potential termination payments if a Termination Event was to occur. As long as the swap insurer maintains at least a minimal rating as defined in the swap documents, the insurance policy will allow the Agency to avoid termination due to a decline in the credit rating of Agency bonds. If at the time of termination, the swap has a negative fair value, the Agency would be liable to the counterparty to the extent PILOTs are available, for a payment equal to the swap's fair value.

8. PILOT Lease Receivable, Net

IDA has entered into various direct financing lease agreements with two commercial entities (Queens Ballpark Company, LLC and Yankee Stadium LLC) relating to the issuance of PILOT Bonds payable. The PILOT Bonds were used to finance the previously noted Stadium Projects. The lease agreements provide for basic rental payments by the tenants to IDA in an amount equal to the debt service on the bonds. Pursuant to the terms of the agreements, the debt service on these bonds are payable solely from scheduled rental payments, and IDA has no legal obligation to make any debt service payments on the bonds. Although variable interest rates will change over time, the calculations included in the tables below are based on the assumption that the variable rate on June 30, 2012 remains constant over the life of the leases.

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Notes to Financial Statements (continued)

8. PILOT Lease Receivable, Net (continued)

At June 30, 2012 and 2011, the outstanding leases and the receivable amount were as follows:

	2012	2011
Queens Stadium Project, through 2046	\$ 1,280,758,007	\$ 1,323,032,394
Yankee Baseball Stadium Project, through 2049	2,652,976,097	2,719,389,496
Aggregate lease receivable – gross	3,933,734,104	4,042,421,890
Less: deferred interest	(2,233,324,730)	(2,336,755,351)
Aggregate lease receivable – net	\$ 1,700,409,374	\$ 1,705,666,539

The aggregate lease receipts due through 2017 and thereafter are as follows:

	Queens Stadium	Yankee Stadium	Total
2013	\$ 43,800,000	\$ 77,446,597	\$ 121,246,597
2014	43,800,000	78,995,950	122,795,950
2015	43,850,000	80,574,202	124,424,202
2016	43,900,000	82,186,202	126,086,202
2017	43,900,000	83,831,196	127,731,196
2018 – 2022	219,850,000	321,176,152	541,026,152
2023 – 2027	220,700,000	321,178,968	541,878,968
2028 – 2032	221,750,000	321,172,990	542,922,990
2033 – 2037	223,150,000	321,180,105	544,330,105
2038 – 2042	225,100,000	321,178,786	546,278,786
2043 – 2047	158,900,000	321,177,507	480,077,507
2048 – 2049	-	250,736,422	250,736,422
	1,488,700,000	2,580,835,077	4,069,535,077
Less restricted cash and investments			(135,800,973)
			\$ 3,933,734,104

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

8. PILOT Lease Receivable, Net (continued)

Lease payment receivable activity for the years ended June 30, 2012 and 2011 was as follows:

	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012
Gross receivable	\$ 4,042,421,890	\$ 3,626,047	\$ (112,313,833)	\$ 3,933,734,104
Less deferred interest	2,336,755,351	-	(103,430,621)	2,233,324,730
Net receivable	<u>\$ 1,705,666,539</u>	<u>\$ 3,626,047</u>	<u>\$ (8,883,212)</u>	<u>\$ 1,700,409,374</u>

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011
Gross receivable	\$ 4,161,323,271	\$ 1,432,384	\$ (120,333,765)	\$ 4,042,421,890
Less deferred interest	2,440,927,292	-	(104,171,941)	2,336,755,351
Net receivable	<u>\$ 1,720,395,979</u>	<u>\$ 1,432,384</u>	<u>\$ (16,161,824)</u>	<u>\$ 1,705,666,539</u>

9. Commitments and Contingencies

Pursuant to various approved agreements between IDA and EDC, IDA was committed to fund 30 projects being performed by EDC related to the City's Commerce and Industrial Development (the Project Commitments). Total Project Commitments under these agreements amounted to approximately \$24.4 million with an outstanding obligation at June 30, 2012 of approximately \$12.6 million. The Project Commitments, related approval dates, original and outstanding commitment balances are as follows:

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

Notes to Financial Statements (continued)

9. Commitments and Contingencies (continued)

Project	Approval Date	Total Commitment	Total Expenditures	Current Total De-Obligate	Outstanding Commitment
Downtown Brooklyn Relocation Services	06/10/03	\$ 650,000	\$ 167,963	\$ –	\$ 482,037
Hunts Point Peninsula/Vision Plan	07/29/03	795,000	643,017	–	151,983
Hunts Point Produce Market	10/11/05	350,000	318,010	–	31,990
Pier 7-12 Development Policy	03/14/06	1,979,611	1,704,441	–	275,170
Downtown Far Rockaway Development Plan	05/09/06	150,000	129,888	–	20,112
Willetts Point Development Strategy	03/13/07	3,954,000	2,841,799	–	1,112,201
On Call Services Contract/Strategic Port Plan	09/11/07	1,200,000	1,200,000	–	–
Hunts Point Food Distribution Center, Development Feasibility Studies	12/11/07	700,000	283,010	–	416,990
Harlem Business Assistance Fund/UMEZ	05/13/08	1,000,000	–	–	1,000,000
Staten Island North Shore Study – Land and Transportation	05/13/08	700,000	640,099	–	59,901
Harbor District Ferry Service Feasibility and Branding Initiative	03/11/09	590,058	–	–	590,058
Harlem River Waterfront/Sherman Creek	07/28/09	300,000	299,899	–	101
Hunts Point Food Distribution	09/15/09	500,000	178,198	–	321,802
City-wide Ferry Services Feasibility Study	09/15/09	175,000	172,791	–	2,209
Teleport Planning Services	09/15/09	100,000	98,808	–	1,192
Hunts Point Freight Rail and Anaerobic Digestion Study	09/15/09	131,705	–	–	131,705
Industry NYC Survey	03/09/10	65,000	55,000	–	10,000
Wage Study	06/08/10	1,000,000	964,254	–	35,746
JFK Air Cargo Study	12/14/10	250,000	249,970	–	30
Seward Park Development Project Engineering and Cost Analysis	12/14/10	500,000	349,769	–	150,231
Immigrant Entrepreneur Business Development Demonstration Program	04/12/11	200,000	191,643	–	8,357
Seward Park Mixed-Use Development Project	04/12/11	1,300,000	964,496	–	335,504
Water Street Feasibility Study	06/14/11	350,000	239,264	–	110,736
Lower Manhattan Business Expansion Competition	07/26/11	950,000	39,440	–	910,560
Industrial Business Growth Assistance Program	09/20/11	200,000	2,638	–	197,362
Harlem Incubator	02/14/12	500,000	–	–	500,000
Industrial Business Support Services	02/14/12	420,000	–	–	420,000
Industrial Business Improvements Districts Development	04/10/12	300,000	16,003	–	283,997
Queens Kitchen Incubator	04/10/12	75,000	–	–	75,000
Hunts Point Terminal Produce Market	06/12/12	5,000,000	–	–	5,000,000
		<u>\$ 24,385,374</u>	<u>\$ 11,750,400</u>	<u>\$ –</u>	<u>\$ 12,634,974</u>

For the years ended June 30, 2012 and 2011, \$2,255,472 and \$2,443,888, respectively, have been incurred by the IDA related to the above projects and are included in special project costs on the accompanying statements of revenue, expenses and changes in fund net assets. Of such amounts,

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Notes to Financial Statements (continued)

9. Commitments and Contingencies (continued)

\$435,017 and \$1,349,469 remained unpaid as of June 30, 2012 and 2011, respectively, and are included in Due to EDC on the accompanying balance sheets.

The Agency has entered into certain financing transactions in which it has committed to provide for the issuance of IDBs up to a specified maximum amount and over a specified number of years. During the years ended June 30, 2012 and 2011, IDA did not issue any IDBs. As of June 30, 2012, IDA has not committed to issue any additional IDBs to approved beneficiaries.

The total conduit debt obligations outstanding totaled \$7,747,568,185 and \$8,765,110,370 for the years ended June 30, 2012 and 2011, respectively.

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

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

- a. The New York State Department of Environmental Conservation (DEC) has notified IDA that DEC will most likely seek contribution from IDA in connection with the remediation of four sites in Brooklyn and Queens that are or were used by clients to which IDA has provided financial assistance. If IDA is found to have liability, IDA would be entitled to indemnification from these clients. However, IDA believes that the remediation costs will be substantial and would exceed the clients' ability to meet their indemnity obligations.
- b. Due to the holding of a real estate interest in certain sites in Lower Manhattan in connection with providing financial assistance, IDA has been named as a defendant in certain claims and lawsuits brought by post-9/11/01 cleanup workers who allege personal injuries following work at these sites. Although the recipients of assistance are required to hold IDA harmless from this liability; it is possible that the liability for these lawsuits may exceed the liquidity of the obligors. As of this date, there is no estimate of the ultimate resolution for these lawsuits.

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Notes to Financial Statements (continued)

9. Commitments and Contingencies (continued)

- c. Due to its holding of a real estate interest in a site in connection with a financing transaction involving IDA's provision of financial assistance to the site user, IDA was named as a co-defendant in a personal injury lawsuit pending in Bronx County. IDA was dismissed from the case; however the dismissal may be appealed. The lawsuit, which continues despite IDA's dismissal, is at the pretrial stage. The court has ruled that the user's insurer is not obligated to defend or make payment with respect to the claim. IDA continues to seek a ruling that it has the right to recover from the user's insurance broker for any liability to which IDA may be subject, but there can be no assurance that IDA will prevail in this effort. The user of the site has pledged to indemnify IDA for any such liability. However, unless the lawsuit is settled before trial, IDA's liability is likely to exceed any amounts that it may be able to obtain from the insurance broker and the user.

IDA is unable to predict the outcome of the matters described in (a), (b) and (c) above, but believes it has meritorious defenses with respect thereto.

10. Risk Management

IDA is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. IDA requires all beneficiaries to purchase and maintain commercial insurance coverage for these risks and name the IDA as additional insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage provided by the beneficiaries in any of the past fiscal years.

Supplemental Information

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

Combining Balance Sheets

	Unrestricted	Restricted		Total Restricted	Year Ended June 30	
		Queens Baseball Stadium Project	Yankee Baseball Stadium Project		2012	2011
Assets						
Current assets:						
Unrestricted cash and cash equivalents	\$ 15,532,449	\$ -	\$ -	\$ -	\$ 15,532,449	\$ 34,424,672
Unrestricted investments	35,807,089	-	-	-	35,807,089	9,328,191
Restricted cash	782,402	-	-	-	782,402	2,362,171
Restricted investments	2,382,739	-	-	-	2,382,739	2,382,739
Fees receivable, net of allowance for doubtful accounts of \$16,361 and \$42,062, respectively	101,877	-	-	-	101,877	298,546
PILOT lease receivable	-	6,820,000	15,101,845	21,921,845	21,921,845	20,272,771
Total current assets	54,606,556	6,820,000	15,101,845	21,921,845	76,528,401	69,069,090
Noncurrent assets:						
Unrestricted investments	6,511,536	-	-	-	6,511,536	10,370,178
Restricted cash – stadium projects	-	31,374,227	17,886,373	49,260,600	49,260,600	49,291,749
Restricted investments – stadium projects	-	-	86,540,373	86,540,373	86,540,373	86,824,964
PILOT lease receivable	-	582,015,991	1,096,471,538	1,678,487,529	1,678,487,529	1,685,393,768
Deferred bond issuance costs	-	21,545,480	54,251,349	75,796,829	75,796,829	79,184,037
Deferred outflow of resources	-	-	14,890,407	14,890,407	14,890,407	6,659,968
Total noncurrent assets	6,511,536	634,935,698	1,270,040,040	1,904,975,738	1,911,487,274	1,917,724,664
Total assets	\$ 61,118,092	\$ 641,755,698	\$ 1,285,141,885	\$ 1,926,897,583	\$ 1,988,015,675	\$ 1,986,793,754
Liabilities and net assets						
Current liabilities:						
Accounts payable and accrued expenses	\$ 77,064	\$ -	\$ -	\$ -	\$ 77,064	\$ 61,313
Due to New York City Economic Development Corporation	443,110	-	-	-	443,110	3,219,124
Bonds payable – current	-	6,820,000	15,101,845	21,921,845	21,921,845	20,272,771
Interest payable on bonds	-	15,607,312	69,280,901	84,888,213	84,888,213	70,891,047
Deferred revenue	432,070	-	-	-	432,070	480,738
Other liabilities	2,892,277	-	-	-	2,892,277	4,767,263
Total current liabilities	3,844,521	22,427,312	84,382,746	106,810,058	110,654,579	99,692,256
Noncurrent liabilities:						
Bonds payable, net	-	619,328,386	1,185,868,732	1,805,197,118	1,805,197,118	1,829,803,471
Derivative instruments – interest rate swap	-	-	14,890,407	14,890,407	14,890,407	6,659,968
Total noncurrent liabilities	-	619,328,386	1,200,759,139	1,820,087,525	1,820,087,525	1,836,463,439
Total liabilities	3,844,521	641,755,698	1,285,141,885	1,926,897,583	1,930,742,104	1,936,155,695
Net assets:						
Unrestricted	57,273,571	-	-	-	57,273,571	50,638,059
Total net assets	57,273,571	-	-	-	57,273,571	50,638,059
Total liabilities and net assets	\$ 61,118,092	\$ 641,755,698	\$ 1,285,141,885	\$ 1,926,897,583	\$ 1,988,015,675	\$ 1,986,793,754

II. 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 Industrial Development Agency

We have audited the balance sheet of New York City Industrial Development Agency (the Agency), a component unit of the City of New York, and the related statements of revenues, expenses and changes in fund net assets and cash flows as of June 30, 2012 and for the year then ended, and have issued our report thereon dated September 20, 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 the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency'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 the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 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 20, 2012

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

Schedule of Findings and Responses

Year Ended June 30, 2012

Financial Statement Findings Section

There were no current year financial statement findings.

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

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

Reference #	Summary of Finding	Status
2011-01	Policies and Procedures – The Agency’s Accounting Department does not maintain a comprehensive policies and procedures manual.	Fully Remediated

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