

FINANCIAL STATEMENTS

Build NYC Resource Corporation  
(a component unit of The City of New York)  
From November 4, 2011 (date of inception) to June 30, 2012  
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Build NYC Resource Corporation  
(a component unit of The City of New York)

Financial Statements

From November 4, 2011 (date of inception) to June 30, 2012

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# I. Financial Section

## Report of Independent Auditors

The Board of Directors  
Build NYC Resource Corporation

We have audited the balance sheet of Build NYC Resource Corporation (the Corporation), a component unit of The City of New York, as of June 30, 2012 and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the period from November 4, 2011 (date of inception) to June 30, 2012. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 Corporation's internal control over financial reporting. Our audit 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 Corporation'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 audit provides 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 Build NYC Resource Corporation as of June 30, 2012 and the changes in its financial position and its cash flows for the period from November 4, 2011 (date of inception) to June 30, 2012 in conformity with US 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 Corporation'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.

*Ernst + Young LLP*

September 20, 2012

Build NYC Resource Corporation  
(a component unit of The City of New York)

Management's Discussion and Analysis

June 30, 2012

This section of the Build NYC Resource Corporation (Build NYC or the Corporation) annual financial report presents our discussion and analysis of financial performance during the period from November 4, 2011 (date of inception) to June 30, 2012. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

**Overview of the Financial Statements**

This annual financial report consists of two parts: *Management's discussion and analysis* (this section) and the *basic financial statements*. Build NYC is considered a component unit of The City of New York (the City) for the City's financial reporting purposes. Build NYC is a local development corporation that commenced operation on November 4, 2011 and was organized under the Not-For-Profit Corporation Law of the State of New York to assist qualified not-for-profit institutions and other entities eligible under the federal tax laws in obtaining tax-exempt bond and taxable bond financing.

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

**Financial Analysis of the Corporation**

**Net Assets** – The following table summarizes the Corporation's financial position at June 30, 2012:

	<b>June 30, 2012</b>
Current assets	\$ 619,425
Current liabilities	24,971
Total unrestricted net assets	<u>\$ 594,454</u>

The Corporation's net assets at June 30, 2012 were \$594,454. Net assets were generated from the fees derived from the following four new bond closings: NY Foundling Charitable Corp., YMCA of Greater New York, Yeshiva Har Torah, and Royal Charter Properties, Inc.

## Operating Activities

Build NYC's primary goal is to facilitate access to private activity tax-exempt bond financing for not-for-profit institutions to acquire, construct, renovate, and/or equip their facilities.

The Corporation charges various program fees that may include application fees, financing fees, compliance fees, and public notice fees.

The following table summarizes Build NYC's net assets for the fiscal year ended June 30, 2012:

	<b>June 30, 2012</b>
Operating revenues	\$ 615,800
Operating expenses	21,346
Change in net assets	<u>\$ 594,454</u>

In fiscal year 2012, Build NYC closed on four transactions. Operating revenues consisted of project finance fees of \$547,800, application fees of \$67,500 and public notice fees of \$500.

## Contacting the Corporation's Financial Management

This financial report is designed to provide our customers, clients and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation'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.

Build NYC Resource Corporation  
(a component unit of The City of New York)

Balance Sheet

June 30, 2012

**Current assets**

Cash and cash equivalents ( <i>Note 3</i> )	\$ 619,425
Total current assets	<u>\$ 619,425</u>

**Liabilities and net assets**

Current liabilities:

Accounts payable and accrued expenses	\$ 17,500
Due to New York City Economic Development Corporation	3,846
Unearned revenue and other liabilities	<u>3,625</u>
Total current liabilities	24,971

Unrestricted net assets	<u>594,454</u>
Total liabilities and net assets	<u>\$ 619,425</u>

*See accompanying notes.*



Build NYC Resource Corporation  
(a component unit of The City of New York)

Statement of Revenues, Expenses and Changes in Fund Net Assets

Period from November 4, 2011 (date of inception) to June 30, 2012

Operating revenues:	
Fee income ( <i>Note 2</i> )	\$ 615,800
Total operating revenues	<u>615,800</u>
Operating expenses:	
Management fees ( <i>Note 4</i> )	1
Auditing fees	17,500
Marketing fees	3,845
Total operating expenses	<u>21,346</u>
Operating income/change in net assets	594,454
Unrestricted net assets, beginning of period	—
Unrestricted net assets, end of period	<u>\$ 594,454</u>

*See accompanying notes.*

Build NYC Resource Corporation  
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Statement of Cash Flows

Period from November 4, 2011 (date of inception) to June 30, 2012

**Cash flows from operating activities**

Financing and other fees	\$ 619,200
Other	225
Net cash provided by operating activities	<u>619,425</u>
Net increase in cash and cash equivalents	619,425
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	<u><u>\$ 619,425</u></u>

**Reconciliation of operating income to net cash provided by operating activities**

Operating income	\$ 594,454
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts payable and accrued expenses	17,500
Due to New York City Economic Development Corp.	3,846
Unearned revenue and other liabilities	3,625
Net cash provided by operating activities	<u><u>\$ 619,425</u></u>

*See accompanying notes.*

**Build NYC Resource Corporation**  
(a component unit of The City of New York)

**Notes to Financial Statements**

June 30, 2012

**1. Background and Organization**

Build NYC Resource Corporation (Build NYC or the Corporation), a component unit of The City of New York, is a local development corporation that commenced operation on November 4, 2011 and was organized to assist qualified not-for-profit institutions and other entities eligible under the federal tax laws in obtaining tax-exempt bond and taxable bond financing under the New York Not-for-Profit Corporation Law. Build NYC's primary goal is to facilitate access to private activity tax-exempt bond financing for not-for-profit institutions to acquire, construct, renovate, and/or equip their facilities.

Bonds issued by Build NYC are special nonrecourse conduit debt obligations of the Corporation which are payable solely from the payments and revenues provided for in the loan agreement with the Beneficiary. The bonds are secured by a collateral interest in the loan agreement and other security provided by the borrower. Both the bonds and certain provisions of the loan agreement are administered by an independent bond trustee appointed by the Corporation.

Because (1) the bonds are nonrecourse conduit debt obligations of the Corporation, (2) the Corporation assigns its interest in the loan agreement as collateral, and (3) the Corporation has no substantive obligations under the loan agreement (other than to convey back the project property at the end of the bond term), the Corporation has, in effect, none of the risks and rewards of the loan agreement and related bond 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.

The Corporation is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by the Corporation's Certificate of Incorporation and By-Laws and includes public officials and appointees of the Mayor.

Build NYC Resource Corporation  
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Notes to Financial Statements (continued)

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

Build NYC has been 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, Build NYC follows the pronouncements of the GASB.

### 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.

Build NYC Resource 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 65.

**Cash Equivalents**

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

**Revenue Recognition**

Operating revenues consist of income from application fees, financing fees, and compliance monitoring fees. Application and financing fees are recognized as earned. Compliance monitoring fees are received annually, in advance, and deferred and amortized into income as earned. Build NYC’s operating expenses include management fees and related administration expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**3. Cash and Cash Equivalents**

At year-end, Build NYC’s bank balance was \$619,425. Of the bank balance, \$250,000 was covered by federal depository insurance and \$369,425 was uncollateralized.

**Build NYC Resource Corporation**  
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**Notes to Financial Statements (continued)**

**4. Management Fee**

To support the activities of the Board of Directors, the Corporation 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 contract, EDC provides Build NYC 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 under the agreement between EDC and the Corporation amounted to \$1 for the period ended June 30, 2012.

**5. Risk Management**

Although it should not have liability for personal injuries as a result of its lending activities, Build NYC could be named as having such liability. Therefore Build NYC requires all project companies to purchase and maintain commercial insurance coverage for these risks and to name Build NYC as additional insured. Build NYC is also named as an additional insured on EDC's general liability policy. Build NYC has no threatened litigations, claims or assessments.

## 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  
Build NYC Resource Corporation

We have audited the balance sheet of Build NYC Resource Corporation (the Corporation), 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 period from November 4, 2011 (date of inception) to June 30, 2012 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 Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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.

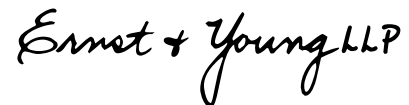


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify 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 Corporation'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.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

September 20, 2012

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