FINANCIAL STATEMENTS

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

Ernst & Young LLP

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(a component unit of The City of New York)

Financial Statements

Years Ended June 30, 2012 and 2011

Contents

I. Financial Section

Ernst & Young LLP
5 Times Square
New York, NY 10036-6530

Tel: +1 212 773 3000
Fax: +1 212 773 6350
www.ey.com

Report of Independent Auditors

The Board of Directors
New York City Capital Resource Corporation

We have audited the balance sheets of New York City Capital Resource Corporation (the Corporation), 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 Corporation'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 Corporation'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 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 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 Capital Resource Corporation as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 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

This section of the New York City Capital Resource Corporation (CRC or the Corporation) annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2012, 2011 and 2010. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

2012 Financial Highlights

- Cash and cash equivalents decreased $84,398 (or 12%)
- Current liabilities increased $4,288 (or 26%)
- Unrestricted net assets decreased $90,136 (or 13%)
- Operating revenues decreased $451,018 (or 98%)
- Operating expenses decreased $17,600 (or 15%)

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*. CRC is considered a component unit of The City of New York (the City) for the City's financial reporting purposes. CRC is a local development corporation organized in fiscal year 2006 under the Not-For-Profit Corporation Law of the State of New York to assist qualified not-for-profit institutions, small manufacturing companies and other entities eligible under the Federal tax laws in obtaining tax-exempt bond financing.

CRC 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, 2011, and 2010 and the percentage changes between June 30, 2012, 2011 and 2010:

	2012	2011	2010	% Change 2012 – 2011	% Change 2011 – 2010
Current assets	**$ 604,039**	$ 689,887	$ 352,925	**(12)%**	95%
Current liabilities	**20,696**	16,408	22,835	**26**	(28)
Total unrestricted net assets	**$ 583,343**	$ 673,479	$ 330,090	**(13)**	104

The Corporation's net assets decreased $90,136 (or 13%) as a result of no new bond closings and increased $343,389 (or 104%) in fiscal year 2011 as a result of four new bond closings.

Operating Activities

The Corporation served as the City's conduit bond issuer for tax-exempt Recovery Zone Facility Bonds ("RZFB"), a type of private activity revenue bonds authorized under the American Recovery and Reinvestment Act of 2009 (the "Act") to spur stalled construction activities that had been unable to get conventional construction financing due to the persistent dearth of lending activities. The authority to issue RZFB through the Act expired on December 31, 2010.

Until January 2008, CRC issued tax-exempt bonds for not-for-profit organizations' capital projects through the Loan Enhanced Assistance Program ("LEAP"). LEAP facilitated eligible not-for-profit organizations access to private activity tax-exempt bond financing for qualified borrowers by simplifying the transaction structure, standardizing the required documentation, and achieving greater efficiency in marketing the tax-exempt bonds. However, LEAP is not currently available due to the continued suspension of a portion of State law governing industrial development activities.

The Corporation charges various program fees that may include application fees, financing fees, legal fees, post closing, and compliance fees.

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

	2012	2011	2010	% Change 2012 – 2011	% Change 2011 – 2010
Operating revenues	**$ 7,612**	$ 458,630	$ 6,750	**(98)%**	6,695%
Operating expenses	**97,800**	115,400	135,181	**(15)**	(15)
Operating (loss) income	**(90,188)**	343,230	(128,431)	**(126)**	367
Nonoperating revenues	**52**	159	288	**(67)**	(45)
Change in net assets	**$ (90,136)**	$ 343,389	$ (128,143)	**(126)**	368

In fiscal year 2012, CRC closed on no transactions. Operating revenues consisted primarily of compliance fees in the amount of $7,612 which were generated from annual administrative fees derived from prior year bond closings.

Prior Year

In fiscal year 2011, CRC closed on four transactions. Operating revenues consisted primarily of financing fees in the amount of $448,500 which were generated from the four bond closing transactions.

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.

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

Balance Sheets

	June 30	
	2012	**2011**
Current assets		
Cash and cash equivalents *(Notes 2 and 3)*	**$ 604,039**	$ 688,437
Fees receivable	**–**	1,450
Total current assets	**$ 604,039**	$ 689,887
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 17,500**	$ 14,000
Unearned revenue	**3,196**	2,408
Total current liabilities	**20,696**	16,408
Unrestricted net assets	**583,343**	673,479
Total liabilities and net assets	**$ 604,039**	$ 689,887

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Fund Net Assets

	Year Ended June 30 2012	2011
Operating revenues:		
Fee income *(Note 2)*	**$ 7,612**	$ 458,630
Total operating revenues	**7,612**	458,630
Operating expenses:		
Management fees *(Note 4)*	**80,000**	80,000
Auditing fees	**17,500**	17,000
Marketing fees	**300**	7,450
Public hearing expenses	**–**	10,950
Total operating expenses	**97,800**	115,400
Operating (loss) income	**(90,188)**	343,230
Nonoperating revenues:		
Investment income	**52**	159
Total nonoperating revenues	**52**	159
(Decrease) increase in net assets	**(90,136)**	343,389
Unrestricted net assets, beginning of year	**673,479**	330,090
Unrestricted net assets, end of year	**$ 583,343**	$ 673,479

See accompanying notes.

New York City Capital Resource Corporation
(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	**$ 9,850**	$ 458,880
Management fees paid	**(80,000)**	(80,000)
Auditing fees paid	**(14,000)**	(19,500)
Public hearing fees paid	**–**	(15,127)
Marketing fees paid	**(300)**	(7,450)
Net cash (used in) provided by operating activities	**(84,450)**	336,803
Cash flows from investing activities		
Investment income	**52**	159
Net cash provided by investing activities	**52**	159
Net (decrease) increase in cash and cash equivalents	**(84,398)**	336,962
Cash and cash equivalents at beginning of year	**688,437**	351,475
Cash and cash equivalents at end of year	**$ 604,039**	$ 688,437
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities		
Operating (loss) income	**$ (90,188)**	$ 343,230
Adjustments to reconcile (loss) operating income to net cash (used in) provided by operating activities:		
Changes in operating assets and liabilities:		
Fees receivable	**1,450**	–
Accounts payable and accrued expenses	**3,500**	(6,677)
Unearned revenue	**788**	250
Net cash (used in) provided by operating activities	**$ (84,450)**	$ 336,803

See accompanying notes.

1. Background and Organization

New York City Capital Resource Corporation (CRC or the Corporation), a component unit of The City of New York, is a local development corporation organized in fiscal year 2006 to assist qualified not-for-profit institutions, small manufacturing companies and other entities eligible under the federal tax laws in obtaining tax-exempt bond financing.

The Corporation served as the City's conduit bond issuer for tax-exempt Recovery Zone Facility Bonds ("RZFB"), a type of private activity revenue bonds authorized under the American Recovery and Reinvestment Act of 2009 (the "Act") to spur stalled construction activities that had been unable to get conventional construction financing due to the persistent dearth of lending activities. The ability to issue RZFB through the Act expired on December 31, 2010. The Corporation did not issue any bonds in the fiscal year ended June 30, 2012 and closed four RZFB projects for the fiscal year ended June 30, 2011. As of June 30, 2012 and 2011, the Corporation has not committed to issuing any additional RZFB or LEAP Bonds.

Until January 2008, CRC issued tax-exempt bonds for not-for-profit organizations' capital projects through the Loan Enhanced Assistance Program ("LEAP"). LEAP facilitated eligible not-for-profit organizations access to private activity tax-exempt bond financing for qualified borrowers by simplifying the transaction structure, standardizing the required documentation, and achieving greater efficiency in marketing the tax-exempt bonds. However, LEAP is not currently available due to the continued suspension of a portion of State law governing industrial development activities.

Bonds issued by CRC 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 Beneficiaries. The bonds are secured by a collateral interest in the loan agreement and other security provided by the borrower, which may include a letter of credit. Both the bonds and certain provisions of the loan agreement are administered by an independent bond trustee appointed by the Corporation.

Due to the fact that (1) the bonds are nonrecourse conduit debt obligations to the Corporation, (2) the Corporation assigns its interest in the loan agreement as collateral and (3) since 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, and to issue Bonds in those projects where subsequent issuance is contemplated), the Corporation has, in effect, none of the risks and

1. Background and Organization (continued)

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 statute and includes public officials and private business leaders.

2. Summary of Significant Accounting Policies

Basis of Presentation

CRC 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, CRC follows the pronouncements of the GASB.

Cash and Cash Equivalents

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

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

2. Summary of Significant Accounting Policies (continued)

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.

Revenue Recognition

Operating revenues consist of income from application fees, financing fees, post closing fees, and compliance monitoring fees. Application, financing, and post closing fees are recognized as earned. Compliance monitoring fees are received annually in advance and deferred and amortized into income as earned. CRC'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, CRC's bank balance was $604,039. Of this amount, $50,000 was covered by Federal Depository Insurance Corporation and $500,000 by Securities Investor Protection Corporation.

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 CRC 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 $80,000 for the years ended June 30, 2012 and 2011.

5. Risk Management

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

6. Potential Merger

In order to improve operational effectiveness, CRC management is preparing to merge CRC into Build NYC Resource Corp. (Build NYC) during fiscal year 2013. The mission and objectives of Build NYC include those of CRC. Both entities are not-for-profit corporations; both are local development corporations; and both are conduit issuers of tax-exempt and taxable bonds.

II. Government Auditing Standards Section

Ernst & Young LLP
5 Times Square
New York, NY 10036-6530

Tel: +1 212 773 3000
Fax: +1 212 773 6350
www.ey.com

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 Capital Resource Corporation

We have audited the balance sheet of New York City Capital 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 and for the year ended 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.

Ernst + Young LLP

September 20, 2012

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