Financial Statements, Required Supplementary Information and Supplementary Information

New York City Economic Development Corporation

(a component unit of The City of New York)

Years Ended June 30, 2016 and 2015

With Report of Independent Auditors

NYCEDC

NYCEDC Finance Division

September 2016

This year marks the 50th anniversary of the New York City Economic Development Corporation (NYCEDC). Milestones like this provide an organization the opportunity to reflect upon its lasting achievements and obstacles overcome—the events that fashioned it into the enduring entity it is today. In our case, this landmark year underscores the wealth of initiatives undertaken to serve this iconic city over the last five decades. We began in 1966 as a team of three people at the New York City Public Development Corporation (PDC). This entity was born out of the need to revitalize the City's struggling economy by creating and retaining jobs. The City would face overwhelming economic and societal challenges in the years to come, but in true New York fashion, it rose to each occasion with groundbreaking initiatives to redevelop and reinvigorate a struggling community. This transformative ability would be embedded in the foundation of PDC.

As PDC evolved, it was tasked with managing the sales of City property, establishing industrial parks, and engaging in urban redevelopment and city planning. In 1991, the PDC merged with the Financial Services Corporation of New York City to complement PDC's real estate transaction focus with financial assistance programs for city businesses. Under the new banner of the New York City Economic Development Corporation, the merged entity furthered the growth of our ports, trades, and other City assets.

NYCEDC has continued that legacy of transformation in response to community needs, functioning as the catalyst for innovative and economic growth in industry sectors as diverse as the City itself. Programs to accelerate early-stage life sciences development, funding for emerging fashion designers, development of affordable incubator and retail space for small businesses, providing access to capital for M/WBEs, and expanding health center access to underserved communities are just some of the projects that staff at NYCEDC bring to fruition each day.

As we reflect on the last 50 years of development in this iconic city, NYCEDC has stayed faithful to the fundamental economic objectives of creating good jobs and building strong neighborhoods; and we look forward to the next 50 years of our continued commitment to building a stronger New York City.

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

Financial Statements, Required Supplementary Information, and Supplementary Information

Years Ended June 30, 2016 and 2015

Contents

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of New York City Economic Development Corporation ("NYCEDC"), a component unit of The City of New York, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the NYCEDC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYCEDC as of June 30, 2016 and 2015, 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.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NYCEDC's basic financial statements. The combining statement of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of revenues, expenses and changes in net position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining statement of revenues, expenses, and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 30, 2016, on our consideration of the NYCEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYCEDC's internal control over financial reporting and compliance.

Ernst & Young LLP

September 30, 2016

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This section of New York City Economic Development Corporation's (NYCEDC or the Corporation) annual financial report presents our discussion and analysis of NYCEDC's financial performance during the fiscal years ended June 30, 2016 and 2015. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2016 Financial Highlights

Net Position: $426 million

- Cash, cash equivalents and investments increased $55 million (or 11%)
- Net amount Due from The City, decreased $24 million (or 16%)
- Other receivables increased $17 million (over 100%)
- Capital assets, net, increased $9 million (or 45%)
- Accounts payable and accrued expenses decreased $34 million (or 16%)
- Tenant security and deposits payables increased $16 million (or 50%)
- Unearned revenue decreased $23 million (or 14%)

Change in Net Position: $100 million

- Reimbursable grants increased $104 million (or 23%)
- Property rentals increased $14 million (or 8%)
- Real estate sales increased $94 million (over 100%)
- Program and project costs increased $57 million (or 11%)
- Contract and other expenses to The City increased $8 million (or 9%)

Overview of the Financial Statements

This annual financial report consists of four parts: *management's discussion and analysis* (this section), *basic financial statements and footnote disclosures, required supplementary information* and *supplementary information*. NYCEDC is organized under the not-for-profit corporation law of the State of New York. NYCEDC is also a discretely presented component unit of The City of New York (The City). NYCEDC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Corporation.

While detailed sub-fund information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that NYCEDC is properly performing its contractual obligations.

Financial Analysis of the Corporation

Statements of Net Position

The following table summarizes NYCEDC's financial position at June 30, 2016, 2015, and 2014 (dollars in thousands) and the percentage changes between June 30, 2016 and 2015:

	2016	2015	2014	% Change 2016–2015
Current assets	**$ 549,549**	$ 575,667	$ 640,408	(5)%
Non-current assets	**477,597**	370,483	351,571	29%
Total assets	**1,027,146**	946,150	991,979	9%
Current liabilities	**256,424**	292,731	302,625	(12)%
Non-current liabilities	**344,483**	327,669	338,337	5%
Total liabilities	**600,907**	620,400	640,962	(3)%
Net position:				
Restricted	**95,144**	83,575	90,687	14%
Unrestricted	**302,445**	222,380	246,677	36%
Net investment in capital assets	**28,650**	19,795	13,653	45%
Total net position	**$ 426,239**	$ 325,750	$ 351,017	31%

Financial Analysis of the Corporation (continued)

During fiscal year 2016, total assets increased $81 million or 9%. This increase is primarily due to the $55 million increase in cash, cash equivalents, and investments, related to real estate sales transactions. Other receivables increased $17 million, primarily due to an $11 million receivable pertaining to a property sale in East Harlem. Capital assets increased by $9 million due to the acquisitions of vessels for the Citywide Ferry System as well as additional leasehold improvements at Brooklyn Army Terminal.

Total liabilities decreased $20 million or 3%, primarily the result of a $34 million decrease in accounts payable and accrued expenses related to the winding down of various capital projects. Unearned revenues decreased $23 million, mainly due to incurred expenses for the Water Siphon project. These decreases were partially offset by a $16 million increase in escrow deposits for a development in Lower East Side in Manhattan. Amounts payable to The City increased $16 million in connection with pass through acquisition of vessels and property at Home Street and Longfellow Avenue in the Bronx.

The Corporation's overall net position during fiscal year 2016 increased $100 million or 31% as a result of the fiscal year operating activities. This increase consisted of $80 million in unrestricted net position and $11 million in restricted net position, and a $9 million increase to net investments in capital assets.

Financial Analysis of the Corporation (continued)

Prior Year

During fiscal year 2015, total assets decreased $46 million or 5%. This decrease is primarily due to the $41 million decrease in amounts due from The City, reflecting both a $29 million decrease in receivables, largely due to the use of prepaid funds received from the City and a $15 million decrease in receivables from federally funded Community Development Block Grant (CDBG) projects. In addition, loan and mortgage receivables decreased $16 million due to two major loan repayments from Crescent 110 Equities, LLC and FC Hanson Associates. Other receivables decreased $9 million resulting from the use of an advance payment for the High Line project. These decreases were offset by a $19 million increase in cash, cash equivalents, and investments largely due to the above mentioned loan repayments.

Total liabilities decreased $21 million or 3%, primarily the result of a $23 million decrease in accounts payable and accrued expenses and a $19 million decrease in unearned revenues. The decrease in accounts payable and accrued expenses is due to the winding down of various capital projects and CDBG projects. The decrease in unearned revenues is mainly related to the above mentioned recognition of unearned revenues for various capital project receivables and the recognition of unearned revenues for the 38th Street Waterside Piers fund. These decreases were partially offset by the addition of $18 million in tenant security and escrow deposits from the Pre-Development Agreement with Coney Island Holdings and deposits received on pending sales of real estate for Brooklyn Public Library.

The Corporation's overall net position during fiscal year 2015 decreased $25 million or 7% as a result of the fiscal year operating activities. This decrease consisted of $24 million in unrestricted net position and $7 million in restricted net position, which was offset a $6 million increase to net investments in capital assets.

Financial Analysis of the Corporation (continued)

Operating Activities

NYCEDC is The City's primary engine for economic development charged with leveraging The City's assets to drive growth, create jobs, and improve the overall quality of life within The City. Through its various divisions, NYCEDC provides a variety of services to eligible businesses that want to become more competitive, more productive and more profitable. In the process of providing its services, NYCEDC primarily generates revenues from property rentals and real estate sales.

The following table summarizes NYCEDC's change in net position for the fiscal years ended June 30, 2016, 2015, and 2014 (dollars in thousands) and the percentage changes between fiscal years 2016 and 2015:

	2016	2015	2014	% Change 2016–2015
Operating revenues:				
Grants	**$ 565,900**	$ 461,820	$ 595,237	23%
Real estate sales, property rentals	**288,157**	180,342	251,036	60%
Fees and other income	**54,717**	71,524	42,217	(23)%
Total operating revenues	**908,774**	713,686	888,490	27%
Operating expenses:				
Project and program costs	**567,943**	511,029	613,042	11%
Property rental expenses	**64,805**	62,335	53,090	4%
Personnel services	**53,800**	48,394	46,342	11%
Contract expenses to The City	**102,759**	94,583	125,872	9%
Office rent and other expenses	**20,801**	25,685	19,144	(19)%
Total operating expenses	**810,108**	742,026	857,490	9%
Operating income (loss)	**98,666**	(28,340)	31,000	448%
Total non-operating income (expenses)	**1,823**	3,073	(3,986)	(41)%
Change in net position	**100,489**	(25,267)	27,014	498%
Total net position, beginning of year	**325,750**	351,017	324,003	(7)%
Total net position, end of year	**$ 426,239**	$ 325,750	$ 351,017	31%

Financial Analysis of the Corporation (continued)

During fiscal year 2016, operating revenues increased $195 million or 27%, primarily the result of a $94 million increase in real estate sales, including a property in West 42nd Street ($40 million), the Proton Center in Upper Manhattan ($21 million) and the Civic Center in Lower Manhattan ($20 million). Reimbursable grants increased $104 million mainly due to additional program activities for the Rockaway Boardwalk project.

Operating expenses during fiscal year 2016 increased by $68 million, or 9%, mainly due to increases of $78 million in program costs and $8 million in contract expenses to The City, offset by a decrease of $21 million in project costs. The increase in program costs relates to the aforementioned increased activities for the Rockaway Boardwalk project while the increase in contract expenses to The City was due to higher pass-through rental and PILOT revenues recognized from the 42nd Street Development Project. These were offset by the winding down of various projects including High Line and a number of consulting engagements design to improve operating efficiency in various agencies of The City.

Accordingly, the Corporation recognized an operating income of $99 million during fiscal year 2016.

Non-operating Activities

Total non-operating revenues for fiscal years 2016 and 2015 were $1.8 million and $3 million, respectively. In fiscal years 2016, interest income from investments generated $1.9 million.

Net position

The Corporation recognized an increase in net position of $100 million during fiscal year 2016. This constitutes an increase of $126 million as compared with fiscal year 2015.

Financial Analysis of the Corporation (continued)

Prior Year

Operating expenses during fiscal year 2015 decreased by $115 million. Project and program costs decreased by $102 million related to the wind-down of various capital projects including the Goldwater, Education Alliance, SUNY and Seaview projects. The contract and other expenses to The City decreased $31 million as a result of both lower pass-through revenues recognized from the 42nd Street Development Project, due to the sale of certain 42nd Street properties by the City and less direct payment to the City in exchange for various project costs being absorbed by NYCEDC. These decreases were partially offset by an increase in property rentals and related operating expenses of $9 million, reflective of higher property operating costs.

Accordingly, the Corporation recognized an operating loss of $28 million during fiscal year 2015. This constitutes a decrease of $60 million compared with fiscal year 2014.

Non-operating Activities

Due to damages caused by Superstorm Sandy (Note 20), the Corporation has participated in The City's overall remediation and clean-up effort. As a result, the Corporation incurred unexpected and unusual expenses outside of the ordinary scope of the Corporation's business. NYCEDC received revenues and funding commitments from various sources in order to fully or partially offset expenses relating to the remediation, clean-up, and restoration effort. Non-operating revenues in the current fiscal year related to Superstorm Sandy totaled $6 million, which included $1.6 million of insurance proceeds and $4.4 million of reimbursable grants from FEMA and the FTA. Non-operating expenses consisted of $4 million for repairs and other costs related to Superstorm Sandy.

Accordingly, the Corporation recognized a decrease in net position of $25 million during fiscal year 2015. This constitutes a decrease of $52 million or 194% as compared with fiscal year 2014.

Financial Analysis of the Corporation (continued)

Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2016, 2015 and 2014 (dollars in thousands) and the percentage change between June 30, 2016 and 2015:

	2016	2015	2014	% Change 2016–2015
Leasehold improvements	**$ 15,773**	$ 13,994	$ 14,018	13%
Equipment and computer software	**7,159**	8,556	7,278	(16%)
Work-in progress	**14,581**	6,866	–	112%
	37,513	29,416	21,296	28%
Less accumulated depreciation and amortization	**(8,862)**	(9,621)	(7,643)	(8%)
Net capital assets	**$ 28,651**	$ 19,795	$ 13,653	45%

Contacting NYCEDC's Financial Management

This financial report is designed to provide our customers, clients and the public with a general overview of NYCEDC's finances and to demonstrate NYCEDC's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the New York City Economic Development Corporation, 110 William Street, New York, NY 10038, or visit NYCEDC's website at https://www.nycedc.com/about-nycedc/contact-us.

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

Statements of Net Position

	June 30 2016	2015
Assets		
Current assets:		
Cash and cash equivalents – current	**$ 82,264,635**	$ 106,288,765
Restricted cash and cash equivalents – current	**92,286,012**	118,442,022
Investments	**45,323,552**	35,186,750
Current portion of loans and mortgage notes receivable	**1,511,416**	4,173,198
Accrued interest receivable from loans	**191,352**	159,623
Due from The City, including $162,476,935 and $176,282,752, respectively, under contracts with The City	**252,934,390**	261,461,934
Tenant receivables, net of allowance for uncollectible amounts of $18,969,540 and $19,647,013, respectively	**53,272,745**	44,673,613
Prepaid expenses	**2,509,773**	2,326,413
Other receivables	**18,447,329**	1,796,934
Land deposits in escrow	**808,050**	1,158,000
Total current assets	**549,549,254**	575,667,252
Non-current assets:		
Restricted cash and cash equivalents	**145,512,833**	139,220,255
Unrestricted investments	**130,369,157**	46,626,999
Restricted investments	**43,027,632**	38,095,267
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of $791,845 and $1,071,522, respectively)	**15,251,849**	16,260,632
Tenant receivables non-current	**985,787**	985,787
Capital assets, net	**28,650,522**	19,795,131
Land held for development, at cost	**112,911,972**	108,411,972
Other assets	**887,000**	1,087,000
Total non-current assets	**477,596,752**	370,483,043
Total assets	**1,027,146,006**	946,150,295
Liabilities and net position		
Current liabilities:		
Accounts payable and accrued expenses, including $96,075,312 and $126,028,808, respectively, under contracts with The City	**175,815,518**	210,199,915
Deposits received on pending sales of real estate	**32,667,036**	32,772,502
Due to The City: real estate obligations and other	**11,397,698**	6,037,143
Unearned revenue	**34,205,027**	39,667,022
Other liabilities	**2,338,552**	4,054,413
Total current liabilities	**256,423,831**	292,730,995
Non-current liabilities:		
Tenant security and escrow deposits payable	**48,814,059**	32,583,944
Obligation for other post-employment benefits	**20,719,000**	20,483,000
Due to The City: real estate obligations	**115,845,500**	105,345,500
Unearned revenue, including unearned grant revenue of $25,725,117 and $24,135,570, respectively, under contracts with The City	**107,698,074**	125,323,604
Retainage payable	**50,565,915**	43,302,917
Other liabilities	**840,487**	630,686
Total non-current liabilities	**344,483,035**	327,669,651
Total liabilities	**600,906,866**	620,400,646
Net position:		
Restricted by law or under various agreements	**95,144,077**	83,574,348
Unrestricted	**302,444,541**	222,380,170
Net investment in capital assets	**28,650,522**	19,795,131
Total net position	**$ 426,239,140**	$ 325,749,649

See accompanying notes.

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

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2016	**2015**
Operating revenues:		
Grants	**$ 565,900,292**	$ 461,819,833
Property rentals	**191,180,988**	177,468,390
Fee income	**14,964,232**	12,604,677
Other income	**39,752,757**	58,919,788
Real estate sales, net	**96,975,742**	2,873,236
Total operating revenues	**908,774,011**	713,685,924
Operating expenses:		
Project costs	**124,597,366**	145,247,088
Program costs	**443,345,592**	365,782,448
Property rentals and related operating expenses	**64,804,728**	62,334,714
Personnel services	**53,800,286**	48,394,052
Office rent	**8,565,521**	7,187,615
Contract and other expenses to The City	**102,759,195**	94,582,710
Other general expenses	**12,234,868**	18,497,163
Total operating expenses	**810,107,556**	742,025,790
Operating income (loss)	**98,666,455**	(28,339,866)
Non-operating revenues (expenses):		
Income from investments	**1,929,819**	969,045
Reimbursable grants – Superstorm Sandy	**3,373,972**	4,421,420
Repairs and other expenses – Superstorm Sandy, net of insurance proceeds	**(3,349,354)**	(2,317,583)
Non-operating (expense)/income	**(131,401)**	–
Total non-operating revenues (expenses)	**1,823,036**	3,072,882
Change in net position	**100,489,491**	(25,266,984)
Net position, beginning of year	**325,749,649**	351,016,633
Net position, end of year	**$ 426,239,140**	$ 325,749,649

See accompanying notes.

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

Statements of Cash Flow

	Year Ended June 30	
	2016	**2015**
Operating activities		
Real estate sales	**$ 96,222,537**	$ 8,095,365
Property rentals	**177,789,333**	187,601,497
Grants from The City	**570,054,016**	490,086,768
Fee income	**14,959,593**	12,615,324
Other income	**23,325,566**	58,583,785
Project costs	**(124,741,745)**	(147,150,218)
Program costs	**(473,286,576)**	(391,088,909)
Property rentals and related operating expenses	**(63,267,579)**	(61,424,767)
Utility program expenses	**–**	(259,215)
Personnel services	**(52,776,429)**	(47,675,025)
Office rent	**(8,565,521)**	(7,187,615)
Contract and other expenses to The City	**(102,762,129)**	(94,706,643)
Other general and administrative expenses	**(13,844,972)**	(8,126,056)
Repayments of loans and mortgage receivable	**4,229,919**	17,708,820
Tenant security and escrow deposits	**16,230,115**	12,637,605
Insurance proceeds from Superstorm Sandy	**(1,217,701)**	1,635,163
Reimbursable grants – Superstorm Sandy	**3,373,972**	4,421,420
Expenses paid for Superstorm Sandy	**(2,131,653)**	(3,952,746)
Other	**4,211,221**	(7,479,837)
Net cash provided by operating activities	**67,801,967**	24,334,716
Capital and related financing activities		
Purchase of capital assets	**(10,726,572)**	(8,120,106)
Non-operating revenues	**68,599**	–
Net cash used in capital and related financing activities	**(10,657,973)**	(8,120,106)
Investing activities		
Sale of investments	**105,657,775**	132,138,449
Purchase of investments	**(204,469,100)**	(145,867,201)
Deposits on land	**(4,150,050)**	1,400,000
Interest income	**1,929,819**	969,045
Net cash used in investing activities	**(101,031,556)**	(11,359,707)
Net increase (decrease) in cash and cash equivalents	**(43,887,562)**	4,854,903
Cash and cash equivalents, beginning of year	**363,951,042**	359,096,139
Cash and cash equivalents, end of year	**$ 320,063,480**	$ 363,951,042

Notes to Financial Statements (continued)

	Year Ended June 30 2016		Year Ended June 30 2015	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	**$**	**98,666,455**	$	(28,339,866)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization		**1,871,181**		1,977,643
Net cash provided by non-operating activities		**24,618**		2,103,837
Changes in operating assets and liabilities:				
Accrued interest receivable		**(31,729)**		60,305
Due to/from The City		**24,388,099**		40,770,404
Other non-current assets		**-**		4,681,905
Tenant receivables		**(8,599,132)**		7,536,515
Prepaid expenses and other receivables		**(16,833,755)**		15,627,936
Loans and mortgage notes receivable		**3,670,565**		281,146
Tenant security and escrow deposits payable		**16,230,115**		12,637,605
Accounts payable and accrued expenses		**(34,384,397)**		(23,069,478)
Deposits received on pending sales of real estate		**(105,466)**		5,345,369
Obligation for OPEB		**236,000**		317,000
Unearned grant revenue		**(23,087,525)**		(18,885,101)
Retainage payable		**7,262,998**		639,457
Other current liabilities		**(1,715,861)**		2,326,576
Other non-current liabilities		**209,801**		323,463
Net cash provided by operating activities	**$**	**67,801,967**	$	24,334,716
Supplemental disclosures of non-cash activities				
Unrealized loss on investments	**$**	**(444,486)**	$	(505,911)

See accompanying notes.

1. Background and Organization

The accompanying financial statements include the assets, liabilities, net position and the financial activities of the New York City Economic Development Corporation (NYCEDC or the Corporation).

NYCEDC is a not-for-profit corporation organized under the New York State (State) Not-for-Profit Corporation Law (the NPCL) that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). NYCEDC's primary activities consist of rendering a variety of services and administering certain economic development programs on behalf of The City of New York (The City) relating to the attraction, retention and expansion of commerce and industry in The City. These services and programs include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within The City and the provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided through two contracts with The City: the amended and restated contract (Master Contract) and the Maritime Contract. These contracts and other related agreements with The City are herein referred to as the Contract Services.

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

Commercial Leases Portfolio: NYCEDC has been contracted to manage property leases between The City and various commercial and industrial tenants. For ground leases, these agreements include restrictions on the use of the land to the construction or development of commercial, manufacturing or industrial facilities. The leases also generally provide for minimum rentals plus provisions for additional rent.

Brooklyn Army Terminal Portfolio: The Brooklyn Army Terminal (BAT) is an industrial property owned by The City that is leased to NYCEDC. Under the terms of the BAT lease, a reserve account of $500,000 was established from net BAT revenues for property operating and capital expenses.

Maritime Portfolio: This portfolio was established to account for NYCEDC's management and maintenance of wharf, waterfront, public market, public aviation and intermodal transportation properties on The City's behalf pursuant to the Master Contract.

1. Background and Organization (continued)

Other Properties Portfolio: This portfolio was established to account for the activities of certain City-owned properties and other assets for which NYCEDC assumed management responsibilities. Pursuant to various agreements between NYCEDC and The City, the net revenue from three of the properties is retained for property operating and capital expenses or for expenses of projects in the area. The net positions retained as of June 30, 2016 and 2015, were $4,737,582 and $4,080,342, respectively.

42nd Street Development Project Portfolio: This portfolio was established as a joint effort between The City and the State to redevelop the 42nd Street district into a vibrant office and cultural center. Ownership for all the properties was transferred from the State to The City by October 31, 2012. Pursuant to agreements between the State, The City and NYCEDC, NYCEDC assumed management and administrative responsibilities for all leases in connection with the 42nd Street Development Project. NYCEDC collects and remits substantially all rental revenues to The City (Note 13).

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

NYCEDC follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. In its accounting and financial reporting, the Corporation follows the pronouncements of the Governmental Accounting Standards Board (GASB).

Recently Adopted Accounting Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

As of June 30, 2016, investments held by NYCEDC are measured at fair value as illustrated in Note 10 in this report. All these investments are within the Level 1 inputs category of the fair value hierarchy. These financial instruments are valued at the unadjusted prices of identical assets as quoted in active principal markets.

2. Summary of Significant Accounting Policies (continued)

Revenue and Expense Classification

NYCEDC distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing the Contract Services to The City in connection with NYCEDC's principal on-going operations. The principal operating revenues are grants from and through The City, rentals of City-owned property, and sales of property (see Real Estate Sales under this Note). NYCEDC's operating expenses include project and program costs, property rental charges, and related administration expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is NYCEDC's policy to use restricted resources first, and then unrestricted resources as needed.

Grants

NYCEDC administers certain reimbursement and other grant funds from and through The City under its contracts with The City.

A reimbursement grant is a grant awarded for a specifically defined project and is generally administered such that NYCEDC is reimbursed for any qualified expenditures associated with such projects.

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

Other grants are recorded as revenue when earned.

Property Rental Revenue

Property rental revenue is recognized on a straight-line basis over the term of the leases.

2. Summary of Significant Accounting Policies (continued)

Real Estate Sales

Proceeds from sales of City-owned properties, other than proceeds in the form of a promissory note from the purchaser in favor of NYCEDC, are recognized as income at the time of closing of the sale. Deposits received from prospective purchasers prior to closing are included in the accompanying statements of net position as deposits received on pending sales of real estate.

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

Retainage Payable

Retainage payable is treated as non-current due to the long-term nature of the related contracts.

Loans and Mortgage Notes Receivable

Loans to finance the acquisition of land and buildings are generally repayable over a 15 to 25 year period. Generally, all such loans for acquisition are secured by second mortgages or other security interests and carry below market interest rates. NYCEDC has also provided loans to City businesses to advance certain economic development objectives. NYCEDC provides an allowance for loan losses based on an analysis of a number of factors, including the value of the related collateral. Based on established procedures, NYCEDC writes off the balances of those loans determined by management to be uncollectible.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and on hand, money market funds, money market deposit accounts, certificates of deposit and highly liquid debt instruments with original maturities of three months or less. Cash equivalents are stated at fair value, other than certificates of deposit, which are valued at cost.

2. Summary of Significant Accounting Policies (continued)

Restricted Cash and Investments

Restricted cash and investments include amounts related to operations or programs administered on behalf of The City and, accordingly, such amounts are not available for use by NYCEDC for general corporate purposes.

Capital Assets

Capital asset purchases for internal use by NYCEDC in excess of $10,000 and consisting primarily of leasehold improvements and equipment are capitalized and depreciated or amortized using the straight-line method over the life of the lease or the estimated useful life assigned. The useful life of the furniture and equipment varies from three to five years. Asset purchases for use in operations or at various properties have useful lives from 7 to 20 years. Vessels are depreciated over a useful life of 25 years.

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

Tax Status

The currently reported income of NYCEDC qualifies for exclusion from gross income for federal income tax purposes under IRC Section 115.

Reclassifications

Certain reclassifications have been reflected to the prior year financial statements to conform to the current year's presentation.

3. Contracts With The City of New York

NYCEDC Master Contract

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

In partial consideration of the services rendered by NYCEDC pursuant to the Master Contract, NYCEDC may retain (1) net revenues resulting from the sale or lease of City-owned properties, and (2) certain interest and other related income received by NYCEDC for financing programs administered on behalf of The City, up to a cap. For fiscal years ended June 30, 2016 and 2015, net revenues generated from such sources amounted to $150,688,377 and $61,736,588, respectively. Income self-generated by NYCEDC, including interest earned on all cash accounts related to unrestricted operations and certain fees earned for services rendered that are not payable by The City, may be retained by NYCEDC under the Master Contract without regard to the contract cap.

Pursuant to section 11.05 of the Master Contract, at any time upon written request of the Mayor of The City or his designee, NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC's unrestricted net position exceeds $7,000,000. At the direction of The City, NYCEDC was required to remit $32,124,258 and $39,119,126 from its unrestricted net position in fiscal years 2016 and 2015, respectively, which are accounted in the contract and other expenses to The City in the statements of revenues, expenses and changes in net position.

The term of the Master Contract is one year commencing on July 1 and may be extended by The City for up to one year. The City may terminate this contract at its sole discretion upon 90 days written notice. Upon termination of this contract, NYCEDC must remit to The City all program funds or other assets subject to certain prescribed limitations.

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

Maritime Contract

The City and NYCEDC have entered into the Maritime Contract under which NYCEDC has been retained to perform various services primarily related to the retention and expansion of waterfront, intermodal transportation, market, freight and aviation development and commerce. The services provided under this contract include (1) retaining maritime business and attracting maritime business to The City, (2) managing, developing, maintaining, and promoting The City's waterfront, markets, aviation, freight and intermodal transportation, and (3) administering leases, permits, licenses, and other occupancy agreements pertaining to such related properties.

In the performance of its services under the Maritime Contract, NYCEDC collects monies, including but not limited to, rents and other revenues from tenants of certain City-owned properties managed by NYCEDC in connection with its maritime program (Note 11). In consideration of the services rendered by NYCEDC pursuant to the Maritime Contract, The City has agreed to pay NYCEDC for all costs incurred in the furtherance of The City's objectives under this contract, to the extent such costs have been provided for in The City-approved budget (the Budget) as called for by the Maritime Contract. Any Reimbursable Expenses, as defined in the Maritime Contract, may be retained by NYCEDC out of the net revenues generated on The City's behalf, to the extent such expenses are not provided for in the Budget (the Reimbursed Amount). For the fiscal years ended June 30, 2016 and 2015, the Reimbursed Amount was $20,517,880 and $15,693,189, respectively. Net revenues generated on The City's behalf for services under the Maritime Contract in excess of the Reimbursed Amount must be remitted to The City on a periodic basis. The operations covered by the Maritime Contract generated approximately $16,718,000 in net revenues in both fiscal years 2016 and 2015.

Pursuant to section 9.06 of the Maritime Contract, at any time upon written request of the Mayor of The City or his designee, NYCEDC must remit to The City assets having a fair market value up to the amount, if any, by which NYCEDC's maritime net position exceeds $7,000,000.

At the direction of The City, NYCEDC was required to remit $16,718,000 for each of fiscal years 2016 and 2015, pursuant to the Maritime Contract, and such amounts are included in the accompanying statements of revenues, expenses and changes in net position under contract and other expenses to The City. The entire amounts required were remitted by June 30, 2016 and 2015, respectively.

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

The term of the Maritime Contract is one year commencing on July 1, and may be extended by The City for up to one year. The City may terminate this contract at its sole discretion upon 90 days written notice. Upon termination of this contract, NYCEDC must remit to The City all program funds or other assets subject to certain prescribed limits.

Other Agreements

In addition, NYCEDC remits to The City rental amounts collected from the 42nd Street Development Project. The amounts remitted from this source for fiscal year 2016 and fiscal year 2015 were $43 million and $39 million, respectively.

4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2016, grant revenue was $569,274,264, of which $550,997,185 comprised reimbursement grants from and through The City. For the year ended June 30, 2015, grant revenue was $466,241,253, of which $450,551,195 comprised reimbursement grants from and through The City.

Grant revenue earned during fiscal year 2016 consists of $565,900,292 for operating activities in the ordinary course of business, and $3,373,972 related to reimbursement of Superstorm Sandy expenses from the Federal Emergency Management Agency (FEMA) and the Federal Transit Administration (FTA).

5. Land Held for Development

NYCEDC may purchase land to help achieve The City's and NYCEDC's redevelopment goals. During fiscal year 2016, NYCEDC purchased lots of land in Home Street and Longfellow Avenue in the Bronx, the total amount of $4.5 million. In fiscal year 2010, NYCEDC purchased several parcels of land in Coney Island (Coney) to assist with the implementation of a comprehensive economic development plan to strengthen the Coney amusement area. The cost of these property acquisitions was $105.3 million, for which NYCEDC received capital funds from The City. Upon acquisition, NYCEDC assumed the management of several leases on the properties, which were in effect. In addition, NYCEDC leased certain acquired parcels in furtherance of the goals and vision for Coney. The terms of both the assumed leases and the leases created by NYCEDC will end in 2027. NYCEDC may convey the sites to The City, for nominal consideration, at any time. These amounts are reflected as real estate obligations due to The City. At June 30, 2016 and 2015, the land held for development totaled $113 million and $108 million, respectively.

6. Other Income

The following table summarizes other income for the fiscal years ended June 30, 2016 and 2015:

	2016	2015
Tenant reimbursements	**$ 7,155,048**	$ 10,165,212
Developer contributions	**4,613,170**	12,084,561
Interest income from loans	**654,072**	1,686,561
Loan/bad debt recovery income	**1,345,956**	3,217,395
Miscellaneous income - E. Harlem property	**10,999,694**	–
Miscellaneous income - Brookdale campus bonds	–	22,100,000
Miscellaneous income	**14,984,817**	9,666,059
Total	**$ 39,752,757**	$ 58,919,788

7. Loans and Mortgage Notes Receivable

NYCEDC has received installment notes from purchasers of certain real property sold by NYCEDC following NYCEDC's purchase of such property from The City. The installment notes are secured by separate purchase money mortgages on the properties sold. At June 30, 2016 and 2015, these mortgage notes totaled $3,299,995 and $3,947,734, respectively, exclusive of interest receivable.

NYCEDC has also provided loans to City businesses to advance certain economic development objectives consistent with their corporate mission and contractual obligations with The City. These loans were made to borrowers whose business operations are likely to provide employment generation, increase tax revenue, improve the physical environment of areas, stabilize neighborhoods, or provide other benefits to The City. Collectively, the installment notes and loans form the Finance Programs.

7. Loans and Mortgage Notes Receivable (continued)

At June 30, 2016, the loan and mortgage notes portfolio consisted of 13 loans that bear interest at rates ranging from 0% to 9.50% and mature at various dates through October 1, 2036.

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

	Principal Maturity	Interest
Fiscal Year:		
2017	$ 1,478,991	$ 738,997
2018	581,784	590,172
2019	798,641	666,421
2020	543,429	554,745
2021	561,592	536,581
2022–2026	10,922,731	1,091,180
2027–2031	1,827,943	153,648
2032–2036	800,000	–
2037	39,999	–
	17,555,110	$ 4,331,744
Allowance for uncollectible amounts	(791,845)	
Loans and mortgage notes receivable, net	$ 16,763,265	

NYCEDC’s three largest loans in fiscal 2016 represent approximately 74% of its loan portfolio balance. The composition of the nine largest loans, comprising 98% of the entire portfolio, by industry type, at June 30, 2016, was as follows: real estate development 19% and other service 81%.

8. Due to/From The City of New York

NYCEDC is required to remit amounts to The City under the Master Contract (Note 3). The unremitted portion of such amounts at June 30, 2016 and 2015 amounted to $11,397,698 and $6,037,143, respectively.

Pursuant to the contract with The City, NYCEDC recorded total grants from and through The City in the amount of $550,997,185 and $450,551,195 during fiscal years 2016 and 2015, respectively, of which $162,476,935 and $176,282,752 in capital funds were unpaid by The City as of June 30, 2016 and 2015, respectively. These unpaid amounts are included in the accompanying statements of net position as due from The City.

9. Capital Assets

Changes in capital assets for the years June 30, 2014 to June 30, 2016, consisted of the following:

	June 30, 2014	Additions/ Depreciation	Disposals	June 30, 2015	Additions/ Depreciation	Disposals	June 30, 2016
Leasehold improvements	$ 14,017,711	$ (23,287)	$ –	$ 13,994,424	$ 1,778,721	$ –	$ 15,773,145
Equipment	6,464,653	1,094,891	–	7,559,544	1,332,606	(2,359,482)	6,532,668
Computer software	813,293	182,656	–	995,949	33,139	(402,402)	626,686
Work-in progress*	–	6,865,846	–	6,865,846	7,714,487	–	14,580,333
Capital assets	21,295,657	8,120,106	–	29,415,763	10,858,953	(2,761,884)	37,512,832
Less: Accumulated Depreciation/amortization	(7,642,989)	(1,977,643)	–	(9,620,632)	(2,003,562)	2,761,884	(8,862,310)
Capital assets, net	$ 13,652,668	$ 6,142,463	$ –	$ 19,795,131	$ 8,855,391	$ –	$ 28,650,522

*NYCEDC purchased four vessels for the total amount of $6 million in connection with the Citywide Ferry System with planned refurbishment.

Depreciation and amortization of capital assets for the fiscal years ended June 30, 2016 and 2015 were $1,871,181 and $1,977,643, respectively.

10. Deposits and Investments

Deposits

The bank balance of NYCEDC's cash deposits was $182,364,348, of which $11,687,708 was covered by federal depository insurance. The remaining balance was uncollateralized at June 30, 2016. Emergency funds on hand amounted to $10,000 at June 30, 2016.

Investments

NYCEDC's investment policy permits the Corporation to invest in obligations of the United States of America, where the payment of principal and interest is guaranteed, or in obligations issued by an agency or instrumentality of the United States of America. Other permitted investments include short-term commercial paper, certificates of deposit and bankers' acceptances.

As of June 30, 2016 and 2015, the Corporation had the following investments. Investments maturities are shown for June 30, 2016, only (in thousands).

	Fair Value		Investment Maturities at June 30, 2016 in Years	
	2016	**2015**	**Less than 1**	**1 to 7**
Money market funds	**$ 129,762**	$ 166,449	$ 129,762	$ –
Money market deposit account	**5,250**	5,358	5,250	–
FHLB notes	**67,807**	42,721	18,655	49,152
FHLMC notes	**106,141**	44,202	15,168	90,973
Commercial paper	–	1,999	–	–
FFCB notes	**26,389**	12,943	11,805	14,584
FNMA notes	**18,184**	17,124	7,441	10,743
Certificates of deposit	**200**	920	200	–
	353,733	291,716	$ 188,281	$ 165,452
Less amount classified as cash equivalents	**(135,013)**	(171,807)		
Total investments	**$ 218,720**	$ 119,909		

10. Cash and Investments (continued)

NYCEDC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the evaluation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. NYCEDC's securities, listed above, are valued using quoted market prices (Level 1 inputs).

At June 30, 2016 and 2015, cash, cash equivalents and investments of $280,826,477 and $295,757,544, respectively, were restricted for use in connection with designated programs of NYCEDC.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Corporation limits 80% of its investments to instruments maturing within two years of the date of purchase. The remaining 20% of the portfolio may be invested in instruments with maturities up to a maximum of seven years.

Credit Risk – It is the Corporation's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the U.S. government or issued by its agencies. As of June 30, 2016, the Corporation's investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and the Federal Home Loan Mortgage Corporation (FHLMC) were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Money market and mutual funds are not rated by these agencies.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Corporation.

The Corporation manages custodial credit risk by limiting possession of its investments to highly rated institutions and/or requiring that high-quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2016, the Corporation was not subject to custodial credit risk.

10. Cash and Investments (continued)

Concentration of Credit Risk – The Corporation places no limit on the amount the Corporation may invest in any United States of America government backed securities. The following table shows investments that represent 5% or more of total investments as of June 30, 2016 and 2015 (dollars in thousands).

	Dollar Amount and Percentage of Total Investments			
Issuer	**June 30, 2016**		**June 30, 2015**	
Federal Home Loan Mortgage Corp.	$ 106,141	48.53%	$ 44,202	36.86%
Federal Home Loan Bank	67,807	31.00	42,721	35.63
Federal Farm Credit Bank	26,389	12.07	12,943	10.79
Federal National Mort. Assoc.	18,184	8.31	17,124	14.28

Investment Income

Investment income includes unrealized gains and losses on investments as well as interest earned on bank accounts, certificates of deposit and securities. Investment income amounted to $1,929,819 and $969,045 for the fiscal years ended June 30, 2016 and 2015, respectively.

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

NYCEDC is contracted by The City to manage and maintain properties on behalf of The City, including certain City-owned properties that are leased to NYCEDC. NYCEDC in turn, leases or subleases the properties to commercial and industrial tenants. For ground leases, these agreements generally include restrictions on the use of the land to the construction or development of commercial, manufacturing or industrial facilities. All managed leases generally provide for minimum rentals plus provisions for additional rent. Certain agreements also provide for renewals at the end of the initial lease term for periods ranging from 10 to 50 years.

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

The future minimum rental income as of June 30, 2016, payable by the tenants under the leases and subleases, all of which are accounted for as operating leases, are as follows:

Fiscal Year	Minimum Rental Income From BAT Tenants	Minimum Rental Income From Commercial Tenants	Minimum Rental Income From Maritime Tenants	Minimum Rental Income from 42nd St Development Proj. Tenants	Minimum Rental Income From Other Tenants	Total
2017	$ 15,090,362	$ 15,370,516	$ 37,085,007	$ 2,585,276	$ 180,001	$ 70,311,162
2018	11,939,985	15,179,753	35,995,796	2,585,276	180,001	65,880,811
2019	10,446,102	14,964,982	34,609,235	2,585,276	180,001	62,785,596
2020	9,291,324	13,699,180	33,152,431	2,585,276	180,001	58,908,212
2021	7,144,698	12,842,540	32,321,893	2,585,276	180,001	55,074,408
2022 - 2026	18,800,401	57,662,487	150,288,998	12,926,378	900,005	240,578,269
2027 - 2031	4,152,124	54,913,355	105,873,581	12,926,378	900,005	178,765,443
2032 - 2036	4,148,200	54,363,021	76,495,487	12,926,378	780,005	148,713,091
2037 - 2041	4,148,200	51,478,162	46,672,409	12,926,378	5	115,225,154
2042 - 2046	4,148,200	47,195,440	37,622,070	12,926,378	5	101,892,093
Thereafter	6,291,437	347,436,643	86,910,170	132,777,103	44	573,415,397
Total	$ 95,601,033	$ 685,106,079	$ 677,027,077	$ 210,335,373	$ 3,480,074	$1,671,549,636

The thereafter category includes 44 leases with expiration dates between July 1, 2045 and December 31, 2100.

12. Future Tenant Receivables

Pursuant to the ground leases with certain Forest City companies, costs incurred to acquire the properties prior to execution of these leases are to be reimbursed by the developer. The total to be repaid for these properties is $46,778,469, of which $28,943,662 is for Jay Street (One Metrotech Center), $7,101,603 is for Bridge Street (Two Metrotech Center), $6,971,204 is for Tech Place (11 Metrotech Center) and $3,762,000 is for Myrtle Avenue (Nine Metrotech Center). These receivables will be paid over a 19-year period and will be recognized to revenue over the life of the agreements.

13. 42nd Street Development Project

The 42nd Street Development Project (the Project) was conceived in the 1980s to transform the properties in the 42nd Street area between 7th and 8th Avenues. For a number of years, NYCEDC has overseen the ground leases for the Project on behalf of The City. By October 2012, all title to the properties; that comprise the Project, transferred from the State to The City.

For all periods after January 1, 2011, NYCEDC, in accordance with section 11.05 of the Master Contract, is to transfer to The City all payments in lieu of taxes, real estate taxes and substantially all rental revenues it collects on the Project, other than $1 million per fiscal year. NYCEDC is permitted to keep the $1 million pursuant to section 3.07 of the Master Contract for its administrative services.

14. Pension Plan

NYCEDC maintains a 401(a) defined contribution pension plan, which covers substantially all full time employees. The pension plan provides for variable contribution rates by NYCEDC ranging from 6% to 14% of the employees’ eligible wages, as defined in the IRC. NYCEDC employees receive a non-matching contribution in the amount of 6% of wages at the beginning of the 3rd year of employment. This amount increases to 12% at the beginning of the 5th year of employment and 14% at the beginning of the 7th year of employment. Employees are 100% vested at the time of contribution. Contributions are made quarterly and are current. The plan is administered at the direction of the NYCEDC Retirement Plan Investment Committee. Pension expense for the fiscal years ended June 30, 2016 and 2015, amounted to $3,294,648 and $3,103,921, respectively, and is included in personnel services in the accompanying statements of revenues, expenses, and changes in net position.

15. Postemployment Benefits Other Than Pensions

NYCEDC sponsors a single employer defined benefit health care plan that provides postemployment medical benefits for eligible retirees and their spouses. Commonly referred to as a plan for Other Post-Employment Benefits (OPEB), this plan was amended during February 2011 with an effective date of July 1, 2011. The amendment includes revisions to the definition of what constitutes an eligible participant and the adoption of a plan close date of June 30, 2023. As a result of the amendment, the plan maintains the current benefit structure, but plan participation will continue for only certain groups of members, who are (i) all retired members, (ii) all active employees hired prior to April 1, 1986, who are ineligible for Medicare coverage when they depart NYCEDC, and (iii) all active employees who started working prior to January 1, 2011 with at least 10 years as of that date or will be age 60 or older by June 30, 2023. NYCEDC is not required to and does not issue a publicly available financial report for the plan.

Benefit provisions and contribution requirements for the plan are established and amended through NYCEDC's Board of Directors and there is no statutory requirement for NYCEDC to continue this plan for future NYCEDC employees. The plan is a contributory plan with retirees subject to contributions established for either the Low or High version of the plan. Retirees receiving the post-employment health benefit pay a premium amount equal to what a current NYCEDC employee pays, based on his or her family status. Under the Low option, retirees make contributions in the amount of $50 a month for single coverage and $100 a month for family coverage. Under the High option, retiree contributions are $100 a month for single coverage and $200 a month for family. Additional costs may be incurred by the retiree under either the Low or High plan version. At each of June 30, 2016 and 2015, there were 28 retirees receiving benefits, all under the Low version of the plan. Employer contributions are made on a pay-as-you-go basis.

15. Postemployment Benefits Other Than Pensions (continued)

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

	2016	**2015**
Annual required contribution	**$ 2,496**	$ 2,496
ARC adjustment	**(2,424)**	(2,424)
Interest on net OPEB obligation	**706**	706
Annual OPEB cost	**778**	778
Contributions made	**(542)**	(461)
Increase in net OPEB obligation	**236**	317
Net OPEB obligation – beginning of year	**20,483**	20,166
Net OPEB obligation – end of year	**$ 20,719**	$ 20,483

NYCEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014, and 2013 were as follows (dollars in thousands):

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
June 30, 2016	**$ 778**	**69.67%**	**$ 20,719**
June 30, 2015	778	59.25%	20,483
June 30, 2014	536	57.88	20,166

The actuarial valuation date is June 30, 2015. The actuarial accrued liability for benefits as of this date was $29,310,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $42,241,423 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 69.4%.

15. Postemployment Benefits Other Than Pensions (continued)

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

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between NYCEDC and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The impact of the National Health Care Reform Act has been included in the valuation as of June 30, 2015.

For the June 30, 2015 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate and an annual healthcare cost trend rate of 8.5% for non-Medicare and 6.5% for Medicare and grading down to an ultimate rate of 4.5% for both. The unfunded actuarial accrued liability is being amortized over a 30-year closed period on a level-dollar basis. The remaining amortization period at June 30, 2016, was 24 years.

16. Other Related-Party Transactions

New York City Land Development Corporation (LDC)

On May 8, 2012, The City formed LDC as a local development corporation organized under section 1411 of the NPCL. LDC is engaged in economic development activities by means of assisting The City with leasing and selling certain properties. No management fees were established between NYCEDC and LDC in the current fiscal year. Instead, NYCEDC provides LDC operating grant funding for LDC's general and administrative expenses. For the periods ended June 30, 2016 and 2015, $20,514 and $20,003, respectively, was provided to LDC for such expenses.

16. Other Related-Party Transactions (continued)

New York City Industrial Development Agency (IDA)

NYCEDC is responsible for administering the economic development programs of IDA. For the fiscal years ended June 30, 2016 and 2015, NYCEDC earned management fee income from IDA of $4,052,116 and $4,552,117, respectively. In fiscal year 2016, a contingency fee of $15,706 was earned by NYCEDC from IDA's recapture of benefits from one project company. Such amounts are included in fee income in NYCEDC's accompanying statements of revenues, expenses and changes in net position. At June 30, 2016 and 2015, the amounts due from IDA totaled $866,900 and $381,260, respectively.

Build NYC Resource Corporation (Build NYC)

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an agreement between NYCEDC and Build NYC, NYCEDC provides management services to Build NYC and administers Build NYC's financial books and records. For the fiscal years ended June 30, 2016 and 2015, NYCEDC earned management fee income from Build NYC of $2,000,000 and $1,500,000, respectively.

The Trust for Cultural Resources of New York City (TCR)

Pursuant to an agreement between NYCEDC and The Trust for Cultural Resources of New York City (TCR), NYCEDC collected fees from TCR for management services. For both fiscal year ended June 30, 2016 and 2015, NYCEDC earned management fees of $310,000 from TCR.

New York City Neighborhood Capital Corporation (NCC)

The Corporation is a charitable organization under Section 201 of the NPCL. NCC has all power and authority to make qualified low-income community investments in the City of New York and allocate federal tax credit. NYCEDC provided full management services to NCC.

17. Commitments and Contingencies

NYCEDC has an aggregate contractual commitment of $217,908,577 under different self-funded economic initiatives and projects, including but not limited to the Citywide Ferry System and the City of New York Early-Stage Life Science project.

Additionally, NYCEDC rents office space under a lease agreement expiring in fiscal year 2020. The future minimum rental commitments as of June 30, 2016, required under the operating lease are as follows:

Fiscal year:	
2017	$ 7,599,491
2018	7,599,491
2019	7,599,491
2020 (2 months)	1,266,582
	$ 24,065,055

Rent expense for office space amounted to $8,565,521 and $7,187,615 for fiscal years ended June 30, 2016 and 2015, respectively.

NYCEDC, and in certain situations as co-defendant with The City, IDA, Build NYC and/or LDC, is involved in personal injury, property damage, breach of contract, environmental and other miscellaneous claims and lawsuits in the ordinary course of business. NYCEDC believes it has meritorious defenses or positions with respect thereto. In management's opinion, such litigation is not expected to have a materially adverse effect on the financial position of NYCEDC.

NYCEDC was the co-trustee along with 42nd Street Development Corporation (a subsidiary of New York State Urban Development Corporation d/b/a Empire State Development Corporation (ESDC) for the use of certain development funds under the 42nd Street Development Project. The trustees jointly extended a loan to the New Amsterdam Development Corporation (NADC or the borrower) for renovation of the New Amsterdam Theatre. The principal loan amount of $25,560,278 was equally disbursed by the trustees and matures on January 31, 2027. Interest on the loan is ranged between 3% and 3.5%. NYCEDC's portion of the loan, $12,780,139, was reimbursed to NYCEDC by The City. The conduit loan payment constitutes both a receivable from NADC and a payable to The City. For financial statement purposes, both receivables and payables are netted against each other and are not presented separately.

17. Commitments and Contingencies (continued)

The Corporation's Finance Program is designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for The City. In this regard, NYCEDC acts as a guarantor under two loan guarantee programs: the NYC Capital Access Revolving Loan Guarantee Program and the Immigrant Bridge Loan Fund. The loan guarantee programs enable qualified businesses to gain access to bank loans or lines of credit.

NYCEDC guarantees can be up to 35% of the loan amount. As of June 30, 2016, the Corporation's aggregate commitment for these programs is $6.7 million, of which $1.7 million is currently outstanding and can be called upon.

NYCEDC is party to a funding agreement among the ESDC, The City and the Trustees of Columbia University (Columbia) in New York City. The agreement was signed on November 20, 1992 as part of the Audubon building lease assignment for the benefit of Columbia. At inception Columbia received $10 million from The City, through NYCEDC, and $8 million directly from ESDC to pay for eligible site development costs. Under the lease agreement Columbia is required to repay the $18 million no later than April 5, 2020. NYCEDC's responsibilities in this transaction are limited to redistributing the repayment to The City and ESDC upon collection from Columbia. This is a conduit loan payment from Columbia to The City and ESDC. This transaction is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

18. Risk Management

NYCEDC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NYCEDC carries commercial insurance coverage for these risks.

19. Net Position

In order to present the financial condition and operating results of NYCEDC in a manner consistent with the limitations and restrictions placed upon the use of resources, NYCEDC classifies its net position into three categories: net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets includes capital assets net of accumulated depreciation used in NYCEDC's operations. The restricted net position includes net position that has been restricted in use in accordance with the terms of an award or agreement (other than the net position generally available for City program activities under the Master Contract and the Maritime Contract) or by law. The unrestricted net position includes all net position not included above. The Master Contract and the Maritime Contract limit the use of all unrestricted net position to City program activities except for unrestricted net position resulting from income self-generated by NYCEDC.

Changes in Net Position

The changes in net position during fiscal years 2016 and 2015 are as follows:

	Restricted	**Unrestricted**	**Net Investment in Capital Assets**	**Total**
Net position, June 30, 2014	$ 90,687,039	$ 246,676,926	$ 13,652,668	$ 351,016,633
(Decrease) increase in net position	(7,112,691)	(18,154,293)	–	(25,266,984)
Capital assets additions	–	(8,120,106)	8,120,106	–
Retirements/depreciation	–	1,977,643	(1,977,643)	–
Net position, June 30, 2015	$ 83,574,348	$ 222,380,170	$ $19,795,131	$ 325,749,649
Increase (decrease) in net position	**11,569,729**	**88,919,762**	**–**	**100,489,491**
Capital assets additions	**–**	**(10,726,572)**	**10,726,572**	**–**
Retirements/depreciation	**–**	**1,871,181**	**(1,871,181)**	**–**
Net position, June 30, 2016	**$ 95,144,077**	**$ 302,444,541**	**$ $28,650,522**	**$ 426,239,140**

20. Superstorm Sandy

Superstorm Sandy (Sandy) made landfall in New York City on October 29, 2012. The severe and widespread water and wind damage affected many individuals, businesses and organizations. Many City assets that are managed, maintained, and/or leased by NYCEDC were directly impacted by Sandy. Affected assets primarily included waterfront facilities, wharfs, and public markets, all of which are managed by NYCEDC pursuant to the Master and Maritime Contracts. NYCEDC has and will continue to remediate, clean up, and restore these properties to pre-storm conditions. Property and flood insurance coverage were in effect for certain properties, and claim payments were received from insurers and recorded as non-operating revenues and these expenses were recorded as non-operating expenses. For the years ended June 30, 2016 and 2015, repairs and other expense, net of insurance proceeds totaled of $3,349,354 and $2,317,583, respectively. Additional non-operating revenues of $3,373,972 and $4,421,420 for years ended June 30, 2016 and 2015, respectively, have been recognized pursuant to federal reimbursable grants from the FTA and FEMA.

	Years Ended June 30		From October 29, 2012 To June 30, 2016
	2016	**2015**	**Total**
Repairs and other expenses – Sandy	**$ 3,349,354**	$ 3,952,746	$ 45,352,054
Less: Insurance proceeds	**–**	(1,635,163)	(28,830,492)
	3,349,354	2,317,583	16,521,562
Less: Reimbursable grants-FEMA	**(3,318,195)**	(3,827,227)	(8,981,259)
Less: Reimbursable grants-FTA	**(55,777)**	(594,193)	(6,184,274)
Less: Reimbursable grants-State	**–**	–	(16,285)
Net Sandy-related (income) expenses	**$ (24,618)**	$ (2,103,837)	$ 1,339,744

Required Supplementary Information

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

Schedule of Funding Progress for the Retiree Health Care Plan
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
June 30, 2015)	$ –	$ 29,310	$ 29,310	–%	$ 42,241	69.4%
June 30, 2014(2)	–	28,471	28,471	–%	$ 37,972	75.0%
June 30, 2012(2)	–	23,502	23,502	–%	35,243	66.7%
June 30, 2010(1)(2)	–	23,960	23,960	–%	34,542	69.4%

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

(2) For the June 30, 2014, actuarial valuation, the actuarial assumptions includes a 3.5% discount rate and an annual healthcare cost trend rate of 8.5% for non-Medicare and 6.5% for Medicare, grading down to an ultimate rate of 4.5% for both. For the June 30, 2012, actuarial valuation, the actuarial assumptions includes a 3.5% discount rate and an annual healthcare cost trend rate of 9.5% for non-Medicare and 7.5% for Medicare, grading down to an ultimate rate of 4.5% for both. For the previous actuarial valuations, the actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0%, grading down to an ultimate rate of 5.0%.

Supplementary Information

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

Combining Schedule of Revenues, Expenses, and Changes in Net Position

	Unrestricted	Restricted: Brooklyn Army	Restricted: Maritime	Restricted: Other Properties	Restricted: Finance Programs	Restricted: Capital Programs	Restricted: Public Purpose and Other	Restricted: CDBG	Restricted: 42nd Street Devl. Proj.	Restricted: Total Restricted	Year Ended June 30: 2016	Year Ended June 30: 2015
Operating revenues:												
Grants	$ 72,161,998	$ –	$ –	$ –	$ –	$ 453,383,680	$ –	$ 40,354,614	$ –	$ 493,738,294	**$ 565,900,292**	$ 461,819,833
Property rentals	44,985,562	21,306,442	73,718,137	4,491,314	–	–	–	–	46,679,533	146,195,426	**191,180,988**	177,468,390
Fee income	13,687,235	57,884	215,211	4,619	10,410	–	5,000	–	983,873	1,276,997	**14,964,232**	12,604,677
Other income	9,249,374	3,728,592	6,857,996	52,411	260,607	–	15,626,967	–	3,976,810	30,503,383	**39,752,757**	58,919,788
Real estate sales, net	96,975,742	–	–	–	–	–	–	–	–	–	**96,975,742**	2,873,236
Total operating revenues	237,059,911	25,092,918	80,791,344	4,548,344	271,017	453,383,680	15,631,967	40,354,614	51,640,216	671,714,100	**908,774,011**	713,685,924
Operating expenses:												
Project costs	82,261,226	–	–	–	–	–	3,426,674	38,909,466	–	42,336,140	**124,597,366**	145,247,088
Program costs	–	–	–	–	461,912	442,883,680	–	–	–	443,345,592	**443,345,592**	365,782,448
Property rentals and related operating expenses	7,786,487	11,701,458	35,426,371	3,860,274	–	–	–	–	6,030,138	57,018,241	**64,804,728**	62,334,714
Personnel services	25,570,011	810,465	25,364,915	–	136,724	–	206,059	1,712,112	–	28,230,275	**53,800,286**	48,394,052
Office rent	8,565,521	–	–	–	–	–	–	–	–	–	**8,565,521**	7,187,615
Contract and other expenses to The City	32,124,258	–	16,718,140	30,636	–	10,500,000	–	–	43,386,161	70,634,937	**102,759,195**	94,582,710
Other general expenses	7,954,242	257,546	3,287,393	927	598,001	–	133,340	3,419	–	4,280,626	**12,234,868**	18,497,163
Total operating expenses	164,261,745	12,769,469	80,796,819	3,891,837	1,196,637	453,383,680	3,766,073	40,624,997	49,416,299	645,845,811	**810,107,556**	742,025,790
Operating income (loss)	72,798,166	12,323,449	(5,475)	656,507	(925,620)	–	11,865,894	(270,383)	2,223,917	25,868,289	**98,666,455**	(28,339,866)
Non-operating revenues (expenses):												
Income from investments	1,484,478	–	5,475	733	333,959	–	97,907	–	7,267	445,341	**1,929,819**	969,045
Grants – Superstorm Sandy	3,373,972	–	–	–	–	–	–	–	–	–	**3,373,972**	4,421,420
Repairs and Other – Superstorm Sandy, net of insurance	(3,349,354)	–	–	–	–	–	–	–	–	–	**(3,349,354)**	(2,317,583)
Non-operating income/(loss)	(128,534)	–	–	–	(2,867)	–	–	–	–	(2,867)	**(131,401)**	–
Total non-operating revenues (expenses)	1,380,562	–	5,475	733	331,092	–	97,907	–	7,267	442,474	**1,823,036**	3,072,882
Income (loss) before transfers	74,178,728	12,323,449	–	657,240	(594,528)	–	11,963,801	(270,383)	2,231,184	26,310,763	**100,489,491**	(25,266,984)
Interfund transfers	14,741,034	(12,323,449)	–	–	(462,964)	–	6,180	270,383	(2,231,184)	(14,741,034)	**–**	–
Change in net position	88,919,762	–	–	657,240	(1,057,492)	–	11,969,981	–	–	11,569,729	**100,489,491**	(25,266,984)
Net position, beginning of year	242,175,301	500,000	7,000,000	4,080,342	55,922,530	3,512,072	12,559,404	–	–	83,574,348	**325,749,649**	351,016,633
Net position, end of year	$ 331,095,063	$ 500,000	$ 7,000,000	$ 4,737,582	$ 54,865,038	$ 3,512,072	$ 24,529,385	$ –	$ –	$ 95,144,077	**$ 426,239,140**	$ 325,749,649

Government Auditing Standards Section

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Report of Independent Auditors 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 Management and the Board of Directors
New York City Economic Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New York City Economic Development Corporation ("NYCEDC"), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYCEDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

September 30, 2016

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