New York City Economic Development Corporation

(a component unit of the City of New York)

Financial Statements,
Required Supplementary Information,
and Supplementary Information

Year Ended June 30, 2021
With Reports of Independent Auditors

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

Financial Statements, Required Supplementary Information, and Supplementary Information

Year Ended June 30, 2021

Contents

I. Financial Section

II. Government Auditing Standards Section

I. Financial Section

Ernst & Young LLP
One Manhattan West
New York, NY 10001-8604

Tel: +1 212 773 3000
ey.com

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 the business-type activities and fiduciary activities of the New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of NYCEDC as of June 30, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, as of July 1, 2020, the Corporation adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, the schedule of changes in net OPEB liability, the schedule of investment returns and the schedule of OPEB contributions, 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 audits 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 opinions on the financial statements that collectively comprise NYCEDC's basic financial statements. The combining schedule 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 schedule 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 schedule 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 30, 2021, on our consideration of NYCEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of NYCEDC's 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, 2021

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 year ended June 30, 2021. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2021 Financial Highlights

Net position was $546 million at June 30, 2021:

- Cash, cash equivalents and investments increased $47 million (or 13%)
- Due from the City, net, decreased $65 million (or 42%)
- Capital assets, net, decreased $9 million (or 3%)
- Tenant receivables, net of allowance for uncollectible amounts, increased $14 million (or 23%)
- Accounts payable and accrued expenses decreased $19 million (or 8%)
- Unearned revenue increased $9 million (or 6%)
- Retainage payable increased $18 million (or 34%)

Change in net position is $(18) million for the fiscal year ended June 30, 2021:

- Grant revenues decreased $5 million (or 1%)
- Other income increased $23 million (or 73%)
- Project costs and program costs decreased $17 million (or 3%)
- Property rentals and related operating expenses decreased $16 million (or 15%)
- Other general expenses increased $15 million (or 36%)
- Capital contributions decreased $77 million (or 91%)
- Net operating loss is $26 million, offset by capital contributions of $8 million

Overview of the Basic 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

Condensed Statements of Net Position

The following table summarizes NYCEDC's financial position at June 30, 2021 and 2020 (dollars in thousands) and the percentage changes between June 30, 2021 and 2020:

	2021	2020	% Change 2021–2020
Current assets	**$ 526,794**	$ 616,134	(15)%
Non-current assets	**698,502**	619,366	13%
Total assets	**1,225,296**	1,235,500	(1)%
Deferred outflows of resources	**2,961**	8,231	(64)%
Current liabilities	**279,131**	302,760	(8)%
Non-current liabilities	**394,098**	372,027	6%
Total liabilities	**673,229**	674,787	–%
Deferred inflows of resources	**8,564**	4,697	82%
Net position:			
Restricted	**87,647**	90,517	(3)%
Unrestricted	**146,405**	152,480	(4)%
Net investment in capital assets	**312,412**	321,250	(3)%
Total net position	**$ 546,464**	$ 564,247	(3)%

Financial Analysis of the Corporation (continued)

The Corporation's total assets decreased $10.2 million or 1% during fiscal year 2021. The net decrease in Due from/to the City of $65.2 million is primarily a result of $58.6 million of receivables related to prior year vessel acquisitions and $43.2 million of receivables related to the prior year purchase of goods and services in response to COVID-19 being paid in the current year. These decreases were offset by an increase in receivables of $12.3 million as well as receivable of retainage payable of $17.6 million related to infrastructure and resiliency improvements at New York City Health and Hospital Corporation's Coney Island Hospital. The Corporation realized a net decrease of $8.8 million in capital assets, primarily due to depreciation and amortization of $17.6 million, offset by $8.8 million of additions, primarily made up of $6.1 million vessel acquisition costs for the operation of NYC Ferry. Tenant receivables, net of the allowance for uncollectible amounts, increased $13.7 million primarily due to the outstanding amounts on $5.8 million of prior year COVID-19 deferrals rebilled in the current year and $3.8 million of additional receivables for reimbursable remediation work performed at Hunts Point Site D. The decrease in assets was offset by an increase in cash, cash equivalents, and investments of $47.2 million largely due to the aforementioned payments on receivables Due from the City.

The Corporation's total liabilities remained consistent with prior year and decreased $1.6 million. Accounts payable and accrued expenses decreased by $19.4 million due to the wind-down of certain projects and decreased activity related to the procurement of goods and services in response to COVID-19 as compared to prior year. Other current liabilities decreased by $7.4 million primarily due to the unrealized gain recognized on the Corporation's commodity futures contracts related to fuel hedging activity. These decreases were offset by the increase in retainage payable of $17.6 million largely due to projects for Coney Island Hospital and NYC Green Infrastructure. Furthermore, the increase in unearned revenues of $9.1 million is primarily due to $12 million of funds received from the City from its sale of property at West 125th Street to be used for future maintenance costs.

The Corporation's overall net position during fiscal year 2021 decreased $17.8 million, or 3%, as a result of the fiscal year operating activities. This decrease consisted of a $8.8 million decrease in net investment in capital assets, $2.9 million decrease in restricted net position and $6.1 million decrease in unrestricted net position.

Financial Analysis of the Corporation (continued)

Operating Activities

NYCEDC is the City's primary engine for economic development and is 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 order to provide these 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, 2021 and 2020 (dollars in thousands) and the percentage changes between fiscal year 2021 and 2020:

	2021	2020	% Change 2021–2020
Operating revenues:			
Grants	**$ 652,456**	$ 657,863	(1)%
Real estate sales, net and property rentals	**202,292**	204,986	(1)%
Fees and other income	**67,550**	40,546	67%
Total operating revenues	**922,298**	903,395	2%
Operating expenses:			
Project and program costs	**662,592**	679,955	(3)%
Property rentals and related operating expenses	**86,397**	102,057	(15)%
Ferry related expenses, net	**32,518**	52,588	(38)%
Personnel services	**70,195**	73,085	(4)%
Contract and other expenses to the City	**28,767**	28,265	2%
Office rent and other general expenses	**67,750**	54,364	25%
Total operating expenses	**948,219**	990,314	(4)%
Operating loss	**(25,921)**	(86,919)	(70)%
Total non-operating income	**77**	4,124	(98)%
Change in net position before capital contributions	**(25,844)**	(82,795)	(69)%
Capital contributions	**8,061**	85,290	(91)%
Change in net position	**(17,783)**	2,495	(813)%
Total net position, beginning of fiscal year	**564,247**	561,752	–%
Total net position, end of fiscal year	**$ 546,464**	$ 564,247	(3)%

Financial Analysis of the Corporation (continued)

During fiscal year 2021, operating revenues increased $18.9 million, or 2%. The increase in operating revenues is largely due to the increase in other income of $22.8 million related to remediation work performed at Hunts Point Site D, offset by a decrease in reimbursable grants of $5.4 million.

Operating expenses during fiscal year 2021 decreased $42.1 million, or 4%. The decrease in project costs of $90.6 million is primarily due to the decrease in reimbursable COVID-19 response expenses of $96.7 million, offset by an increase of $14.6 million incurred for the Queens Small Business Grant Program, which provided grant funding to small businesses impacted by COVID-19 in the area. Program costs increased $73.3 million primarily due to an increase in reimbursable expenses for Coney Island Hospital, NYC Green Infrastructure, the American Museum of Natural History, Manhattan Waterfront Greenway, and Hudson Park and Boulevard.

The decrease of $35.7 million in ferry related expenses and property rentals and related operating expenses is primarily due to pandemic-driven continued reduction in ferry services and suspension of cruise operations. Additionally, spending related to maintenance of rental properties decreased. Other general expenses increased $14.8 million largely due to an increase in tenant bad debt expense of $17.6 million, offset by a pandemic-driven decrease of other general and administration expenses of $6.2 million. Accordingly, the operating loss decreased by $61.0 million as compared to fiscal year 2020 with the Corporation recognizing a net operating loss of $25.9 million during fiscal year 2021.

Non-operating Activities

Total non-operating revenues for fiscal year 2021 were $0.1 million. Primarily as a result of market conditions, the fiscal year 2021 total was a $4.0 million reduction from fiscal year 2020.

Capital Contributions

Primarily driven by NYCEDC's ownership of ferry vessels acquired with City funding, NYCEDC recognizes capital contributions in its changes in net position. Capital contributions are realized at the time NYCEDC incurs costs for the acquisition and/or construction of City-funded capital assets managed and used by NYCEDC in its operations. During fiscal year 2021, NYCEDC recognized $8.1 million of capital contributions, primarily made up of $6.1 million for vessel acquisitions for the NYC Ferry system. As of June 30, 2021, the Corporation has completed its vessel acquisition plan, and there are no plans or commitments for additional vessel purchases.

Financial Analysis of the Corporation (continued)

Net Position

The Corporation's net operating loss for the fiscal year of $25.9 million has been offset by capital contributions of $8.1 million. As a result, the Corporation recognized a decrease in net position of $17.8 million during fiscal year 2021. This constitutes a decrease of $20.3 million, or 813%, as compared with the change in fiscal year 2020.

Capital Assets

The following table summarizes NYCEDC's capital assets for the fiscal years ended June 30, 2021 and 2020, (dollars in thousands) and the percentage change between June 30, 2021 and 2020:

	2021	**2020**	**% Change 2021–2020**
Leasehold improvements	**$ 84,253**	$ 84,253	–%
Equipment and computer software	**20,180**	19,894	1%
Vessels	**239,045**	227,424	5%
Work-in progress – vessels	**–**	5,567	(100)%
Work-in progress – other	**13,912**	11,534	21%
	357,390	348,672	3%
Less accumulated depreciation and amortization	**(44,978)**	(27,422)	64%
Net capital assets	**$ 312,412**	$ 321,250	(3)%

Financial Analysis of the Corporation (continued)

Additional information about NYCEDC's capital assets is presented in Note 9 to the financial statements.

Contacting NYCEDC's Financial Management

This financial report is designed to provide NYCEDC's customers, clients and the public with a general overview of the Corporation'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 Chief Financial Officer of New York City Economic Development Corporation, One Liberty Plaza, New York, NY 10006, or visit NYCEDC's website at: http://edc.nyc/contact-us.

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

Statement of Net Position
(In Thousands)

June 30, 2021

Assets		
Current assets:		
Cash and cash equivalents – current	$	36,618
Restricted cash and cash equivalents – current		117,643
Unrestricted investments		30,670
Restricted investments		7,279
Current portion of loans and mortgage notes receivable		7,138
Due from the City, including $203,760 under contracts with the City		232,454
Tenant receivables, net of allowance for uncollectible amounts of $54,083		73,350
Prepaid expenses and other current assets		4,461
Other receivables		17,181
Total current assets		526,794
Non-current assets:		
Restricted cash and cash equivalents		138,153
Unrestricted investments		40,807
Restricted investments		47,840
Loans and mortgage notes receivable, less current portion (less allowance for loan losses of $10,912)		16,008
Capital assets, net		312,412
Land held for development, at cost		132,387
Other assets		10,895
Total non-current assets		698,502
Total assets		1,225,296
Deferred outflows of resources		
Deferred outflows of resources related to OPEB		2,961
Total deferred outflows of resources		2,961
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses, including $140,529 under contracts with the City		219,346
Deposits received on pending sales of real estate		8,751
Due to the City: real estate obligations and other		15,690
Unearned revenue		32,686
Other liabilities		2,658
Total current liabilities		279,131
Non-current liabilities:		
Tenant security and escrow deposits payable		42,495
Obligation for OPEB		681
Due to the City: real estate obligations		125,021
Unearned revenue, including unearned grant revenue of $26,240 under contracts with the City		138,967
Retainage payable		69,582
Other liabilities		17,352
Total non-current liabilities		394,098
Total liabilities		673,229
Deferred inflows of resources:		
Deferred inflows of resources related to OPEB		3,780
Accumulated increase in fair value of hedging derivatives		4,784
Total deferred inflows of resources		8,564
Net position:		
Restricted by law or under various agreements		87,647
Unrestricted		146,405
Net investment in capital assets		312,412
Total net position	$	546,464

See accompanying notes.

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

Statement of Revenues, Expenses, and Changes in Net Position
(In Thousands)

Year Ended June 30, 2021

Operating revenues:	
Grants	$ 652,456
Property rentals	197,292
Real estate sales, net	5,000
Fee income	13,253
Other income	54,297
Total operating revenues	922,298
Operating expenses:	
Project costs	113,033
Program costs	549,559
Property rentals and related operating expenses	86,397
Ferry related expenses, net	32,518
Personnel services	70,195
Contract and other expenses to the City	28,767
Office rent	11,756
Other general expenses	55,994
Total operating expenses	948,219
Operating loss	(25,921)
Non-operating revenues:	
Income from investments	77
Other non-operating income	–
Total non-operating revenues, net	77
Change in net position before capital contributions	(25,844)
Capital contributions	8,061
Change in net position	(17,783)
Net position, beginning of fiscal year	564,247
Net position, end of fiscal year	$ 546,464

See accompanying notes.

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

Statement of Cash Flow
(In Thousands)

Year Ended June 30, 2021

Cash flows from operating activities	
Real estate sales	$ 5,000
Property rentals	196,701
Grants from the City	636,890
Fee income	13,244
Other income	60,513
Project costs	(150,789)
Program costs	(497,113)
Property rentals and related operating expenses	(98,731)
Ferry expenses	(31,067)
Personnel services	(72,583)
Office rent	(11,756)
Contract and other expenses to the City	(28,767)
Other general and administrative expenses	(39,385)
Repayments of loans and mortgage receivable	465
Tenant security and escrow deposits	(1,555)
Other	7,488
Net cash used in operating activities	(11,445)
Cash flows from capital and related financing activities	
Purchase of capital assets	(20,022)
Capital contributions	78,585
Net cash provided by capital and related financing activities	58,563
Cash flows from investing activities	
Sale of investments	115,240
Purchase of investments	(194,063)
Interest income	77
Net cash used in investing activities	(78,746)
Net decrease in cash and cash equivalents	(31,628)
Cash and cash equivalents, beginning of fiscal year	324,042
Cash and cash equivalents, end of fiscal year	$ 292,414

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

Statement of Cash Flow (continued)
(In Thousands)

Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(25,921)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		17,556
Straight-line revenue		(3,897)
Provision for COVID-19		(5,761)
Provision for bad debts		30,615
Amortization of unearned revenues and prepaid expenses		(7,290)
Changes in operating assets, liabilities and deferred inflow/outflow of resources:		
Due to/from the City		(5,292)
Other non-current assets		(3,788)
Tenant receivables		(31,574)
Prepaid expenses and other receivables		3,117
Loans and mortgage notes receivable		(1,836)
Tenant security and escrow deposits payable		(1,555)
Accounts payable and accrued expenses		(8,126)
Deposits received on pending sales of real estate		(400)
Net OPEB liability		2,388
Unearned grant revenue		15,981
Deferred inflows of resources		(2,674)
Retainage payable		17,579
Other current liabilities		(517)
Other non-current liabilities		(50)
Net cash used in operating activities	$	(11,445)
Supplemental disclosures of noncash activities		
Unrealized gain on investments	$	(108)

See accompanying notes.

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

Statement of Fiduciary Net Position
(In Thousands)

OPEB Trust

Year Ended June 30, 2021

Assets	
Cash and cash equivalents	$ 324
Investments:	
Mutual funds	23,803
Total investments	23,803
Total assets	24,127
Liabilities	
Accrued expenses	44
Due to NYCEDC	148
Total liabilities	192
Net position – restricted for OPEB	**$ 23,935**

See accompanying notes.

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

Statement of Changes in Fiduciary Net Position
(In Thousands)

OPEB Trust

Year Ended June 30, 2021

Additions	
Investment income:	
Interest and dividends	$ 673
Net increase in fair value of investments	621
Net investment income	1,294
Total additions	1,294
Deductions	
Benefit payments	330
Administrative expenses	98
Total deductions	428
Net increase in fiduciary net position	866
Net position – restricted for OPEB	
Beginning of fiscal year	23,069
End of fiscal year	$ 23,935

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) and its blended component units (Note 17).

NYCEDC is a not-for-profit corporation organized under the New York 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 to administer 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 financial assistance to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided under two annual contracts with the City: the amended and restated contract (Master Contract) and the Maritime Contract. The services provided under these contracts and other related agreements with the City are herein referred to as the Contract Services.

In order to provide these services, NYCEDC primarily generates revenues from property rentals and real estate sales. 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 manages 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, industrial or residential facilities. The leases also generally provide for base rent payments 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.

1. Background and Organization (continued)

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 and the NYC Ferry system on the City's behalf pursuant to the Maritime Contract.

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.

42nd Street Development Project Portfolio: This portfolio was established as a joint effort between the City and New York State (the State) to redevelop the 42nd Street district into a vibrant office and cultural center. Ownership of all the properties was transferred from the State to the City by October 31, 2012. NYCEDC then assumed management and administrative responsibilities for all leases in connection with the 42nd Street Development Project (Note 14).

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).

Upcoming Accounting Pronouncements

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). The primary objective of GASB 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately. The Corporation has adopted this standard and will delay implementation of relevant GASB statements covered by GASB 95 until their new respective effective dates.

2. Summary of Significant Accounting Policies (continued)

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. With the adoption of GASB 95, provisions of this Statement are effective for fiscal years beginning after June 15, 2021. The Corporation is evaluating the impact this standard will have on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Paragraphs 4, 5, 11 and 13 were effective immediately upon issuance of GASB 92 and did not have a significant impact to NYCEDC's financial statements. With the adoption of GASB 95, provisions of this Statement, other than those stated in paragraphs 4, 5, 11 and 13, are effective for fiscal years beginning after June 15, 2021. The Corporation is evaluating the impact this standard will have on its financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Provisions of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Corporation is evaluating the impact this standard will have on its financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and Supersession of GASB Statement No. 32* (GASB 97). The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the

2. Summary of Significant Accounting Policies (continued)

reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for IRC Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of GASB 97 that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The Corporation has evaluated the impact of this standard in conjunction with the adoption of GASB Statement No. 84. This standard is not anticipated to have a significant impact on the Corporation's financial statements.

Impact of New Accounting Standard Adopted

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), was issued in January 2017. The primary objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

With the adoption of GASB 95, provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The adoption of this standard as of July 1, 2020, resulted in the reporting

2. Summary of Significant Accounting Policies (continued)

of the Corporation's other post-employment benefits trust fund as a fiduciary activity. The cumulative effect of adopting GASB 84 was the establishment of beginning net position of $21.2 million restricted for other post-employment benefits other than pension. Prior to the adoption of GASB 84, the OPEB trust fund was not required to be reported in the Corporation's financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90). The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. With the adoption of GASB 95, provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The adoption of this standard did not have an impact on the Corporation's financial statements as NYCEDC does not own majority equity interest in a legally separate organization that meets the definition of an investment.

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 ongoing 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 maintenance charges, and general administrative 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.

2. Summary of Significant Accounting Policies (continued)

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 and through 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 a part of 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.

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. For property sales in which NYCEDC accepts a long-term promissory note from a purchaser in lieu of cash, in addition to the note receivable, the 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.

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.

Retainage Payable

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

2. Summary of Significant Accounting Policies (continued)

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, applicable 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.

Investments

Investments held by NYCEDC are recorded at fair value.

Restricted Cash and Investments

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

Capital Assets

Assets purchased for internal use by NYCEDC in excess of $10,000 are capitalized and consist primarily of vessels operating under the NYC Ferry system, leasehold improvements and equipment. Vessels are depreciated over a useful life of 25 years. Leasehold improvements are depreciated using the straight-line method over the shorter of the life of the lease or the estimated useful life assigned. Accordingly, leasehold improvements have useful lives from 7 to 20 years.

2. Summary of Significant Accounting Policies (continued)

The Corporation also uses the straight-line method for depreciating or amortizing furniture and equipment over the estimated useful life assigned. The useful life of furniture and equipment varies from three to five years.

Disbursements made by NYCEDC on behalf of the City for, among other things, capital projects, tenant build-out reimbursements, 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.

Capital Contributions

Capital contributions are realized at the time NYCEDC incurs costs for the acquisition and/or construction of City-funded capital assets managed and used by NYCEDC in its operations. During fiscal year 2021, NYCEDC recognized $8.1 million of capital contributions, primarily made up of $6.1 million for vessel acquisitions for the NYC Ferry system.

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: restricted net position, unrestricted net position and net investment in capital assets. 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.

Net investment in capital assets includes capital assets net of accumulated depreciation used in NYCEDC's operations. 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.

3. Contracts With the City of New York

Fiduciary Fund Statements

The statement of fiduciary net position and the statement of changes in fiduciary net position provide information on the Corporation's fiduciary activities in its Other Post-Employment Benefits Trust Fund, which reports resources that are required to be held in trust for members and beneficiaries of the Corporation's OPEB plan.

NYCEDC Master Contract

The City and NYCEDC have entered into the Master Contract, under which the Corporation has been retained to perform various services primarily related to the retention and expansion of industrial and commercial development within the City, including, among other activities: (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, the Corporation may retain (1) net revenues 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. Income self-generated by NYCEDC, including interest on all cash accounts related to unrestricted operations and certain fees for services, 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 the Mayor's designee, NYCEDC must remit to the City assets having a fair market value up to the amount, if any, by which the Corporation's unrestricted net position exceeds $7 million. At the direction of the City, NYCEDC remitted $3.4 million from its unrestricted net position in fiscal year 2021, which is accounted for under contract and other expenses to the City in the statement of revenues, expenses, and changes in net position.

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

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.

Maritime Contract

The City and NYCEDC have entered into the Maritime Contract under which the Corporation 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, including the NYC Ferry system; 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. In consideration of the services rendered by the Corporation 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). 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. Historically, at the direction of the City, NYCEDC was required to remit \$16.7 million for each fiscal year pursuant to the Maritime Contract, and such amounts were included in contract and other expenses to the City. Beginning in fiscal year 2017, to partially offset the cost of establishing and operating the NYC Ferry service (Note 12), this amount was not required to be remitted to the City.

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

Pursuant to section 9.06 of the Maritime Contract, at any time upon written request of the Mayor of the City or the Mayor's 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 million.

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 certain amounts collected from the 42nd Street Development Project. The amount remitted from this source for fiscal year 2021 was $25.4 million (Note 14).

4. Grants

NYCEDC receives grants for specifically defined projects. For the year ended June 30, 2021, grant revenue was $652.5 million, of which $585.2 million comprised of reimbursement grants from and through the City, and the remaining $67.3 million was provided by other sources.

5. Land Held for Development and Real Estate Obligations Due to the City

NYCEDC may purchase land to help achieve the City's and the Corporation's redevelopment goals. In fiscal year 2021, the land held for development totaled $132.4 million. Several acquisitions were obtained using capital funds from the City, and these amounts are reflected as real estate obligations due to the City on the statement of net position. As of June 30, 2021, real estate obligations due to the City was $125.0 million.

5. Land Held for Development and Real Estate Obligations Due to the City (continued)

The following table summarizes land held for development and real estate obligations due to the City for the fiscal year ended June 30, 2021 (dollars in thousands):

225 125th Street, B1790, L12	$ 1,972
2309–2313 3rd Avenue, B1790, L3, 49	858
236 East 126th Street, B1790 L31	183
246 E. 127th Street, B1791, L25	4,300
Springfield Gardens, Queens, B13432, L57	53
Land held for development	7,366
Boardwalk, Coney Island	105,345
1047 Home Street, Bronx, B3006, L21	800
1051 Home Street, Bronx, B3006, L19	1,200
1057 Home Street, Bronx, B3006, L17	500
1174 Longfellow Avenue, Bronx, B2758, L14	4,000
3050 W. 21st Street, Brooklyn, B7071, L123	13,176
Due to the City: real estate obligations	125,021
Total land held for development	$ 132,387

6. Other Income

The following table summarizes other income for the fiscal year ended June 30, 2021 (dollars in thousands):

Tenant reimbursements	$ 10,483
Developer contributions	2,331
Service agreements	759
Interest income from loans	585
Loan/bad debt recovery income	1,438
Other third-party reimbursements	28,718
Tenant-liquidated damages	1,955
138 Willoughby LLC	2,138
Other miscellaneous income	5,890
Total	$ 54,297

7. Loans and Mortgage Notes Receivable

NYCEDC has received installment notes from purchasers of certain real property sold by the Corporation 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, 2021, these mortgage notes totaled $7.6 million exclusive of any interest receivable.

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

At June 30, 2021, the loan and mortgage notes portfolio consisted of 15 loans that bear interest at rates ranging from 0% to 8% and mature at various dates through October 1, 2046.

Scheduled maturities of principal for these loans for the next five years and thereafter are as follows (dollars in thousands):

	Principal Maturity	Interest
Fiscal year		
2022	$ 7,138	$ 403
2023	629	345
2024	522	338
2025	440	463
2026	392	325
2027–31	12,071	1,514
2032–36	5,976	1,287
2037–41	4,753	703
2042–46	1,992	158
2047–48	145	–
	34,058	$ 5,536
Allowance for uncollectible amounts	(10,912)	
Loans and mortgage notes receivable, net	$ 23,146	

7. Loans and Mortgage Notes Receivable (continued)

The seven largest loans in fiscal year 2021 represent approximately 97% of the loan portfolio balance. The composition of the entire portfolio, by industry type, at June 30, 2021, was as follows: real estate development 22% and other services 78%.

8. Due to/From the City of New York

NYCEDC is required to remit certain amounts to the City under the Master Contract (Note 3). The unremitted portion of such amounts at June 30, 2021, amounted to $15.7 million.

Pursuant to the Master Contract with the City, NYCEDC recorded total grants from and through the City in the amount of $585.2 million during fiscal year 2021, of which $203.8 million in capital funds were unpaid by the City. These unpaid amounts are included in the accompanying statement of net position as due from the City.

9. Capital Assets

Changes in capital assets for the year ending June 30, 2021, consisted of the following (dollars in thousands):

	June 30, 2020	Additions/ Depreciation	Disposals	June 30, 2021
Equipment	$ 17,384	$ 286	$ –	**$ 17,670**
Leasehold improvements	84,253	–	–	**84,253**
Vessels	227,424	11,621	–	**239,045**
Computer software	2,510	–	–	**2,510**
Work-in-progress – vessels	5,567	(5,567)	–	**–**
Work-in-progress – other	11,534	2,378	–	**13,912**
Capital assets	348,672	8,718	–	**357,390**
Less: Accumulated depreciation/amortization	(27,422)	(17,556)	–	**(44,978)**
Capital assets, net	$ 321,250	$ (8,838)	$ –	**$ 312,412**

9. Capital Assets (continued)

Depreciation and amortization of capital assets and obligations for the fiscal year ended June 30, 2021, were $17.6 million.

10. Deposits and Investments

Deposits

At year-end, NYCEDC's cash and cash equivalents bank balance was $292.4 million, of which $13.5 million was FDIC insured. Of the remaining balance, $118.7 million was invested in money market funds. Emergency funds on hand amounted to $10,000 at June 30, 2021.

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.

10. Deposits and Investments (continued)

As of June 30, the Corporation had the following investments. Investments maturities are shown for June 30, 2021, only (dollars in thousands):

	Fair Value	Investment Maturities at June 30, 2021, in Years		
	2021	Less Than 1	1 to 2	Greater than 2
Money market mutual funds	$ 113,477	$ 113,477	$ –	$ –
Money market deposit account	5,250	5,250	–	–
FHLB notes	40,005	10,004	–	30,001
FHLMC notes	1,023	1,023	–	–
Commercial paper	19,490	19,490	–	–
FFCB notes	58,647	–	37,958	20,689
U.S. Treasuries	7,229	7,229	–	–
Certificates of deposit	201	201	–	–
	245,322	$ 156,674	$ 37,958	$ 50,690
Less amount classified as cash equivalents	(118,726)			
Total investments	$ 126,596			

Fair Value Measurements – Fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

Money market funds, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. U.S. Treasury and agency securities and commercial paper, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

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.

10. Deposits and Investments (continued)

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, 2021, the Corporation's investments in Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), and U.S. Treasuries were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Commercial papers held were rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investor's Service, Inc.

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 not registered in the name of the Corporation and are held by the counterparty, the counterparty's trust department or agent.

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 NYCEDC. At June 30, 2021, the Corporation was not subject to custodial credit risk.

Concentration of Credit Risk – The Corporation places no limit on the amount NYCEDC may invest in any securities backed by the United States of America government. The following table shows investments that represent 5% or more of total investments as of June 30, 2021 (dollars in thousands):

	Dollar Amount and Percentage of Total Investments	
Issuer	**June 30, 2021**	
Federal Farm Credit Bank	$ 58,647	23.9%
Federal Home Loan Bank	40,005	16.3

10. Deposits and Investments (continued)

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 $0.1 million for the fiscal year ended June 30, 2021.

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 and City-owned properties that are leased to private parties. In the case of properties leased to the Corporation, NYCEDC, in turn, leases the properties to commercial and industrial tenants. In the case of properties that are covered by ground leases, the ground leases generally include restrictions on the use of the land to the construction or development of commercial, manufacturing, industrial or residential facilities. All managed leases generally provide for base rents 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.

The future minimum rental income as of June 30, 2021, payable by the tenants under the leases and subleases, all of which are accounted for as operating leases, is as follows (dollars in thousands):

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
2022	$ 21,359	$ 44,162	$ 36,795	$ 19,877	$ 809	$ 123,002
2023	18,276	43,423	35,952	19,877	723	118,251
2024	16,044	43,309	34,161	19,877	723	114,114
2025	14,094	42,858	33,223	19,878	722	110,775
2026	11,539	42,581	32,265	19,877	597	106,859
2027–31	40,555	210,554	121,345	99,388	1,779	473,621
2032–36	5,828	208,974	65,950	99,388	–	380,140
2037–41	4,148	206,089	45,076	99,388	–	354,701
2042–46	4,148	201,806	35,453	97,644	–	339,051
2047–51	4,148	199,469	35,453	94,405	–	333,475
Thereafter	2,143	1,398,084	48,025	720,095	–	2,168,347
Total	$ 142,282	$ 2,641,309	$ 523,698	$ 1,309,694	$ 5,353	$ 4,622,336

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

The thereafter category includes 38 leases with expiration dates between July 1, 2051 and December 31, 2100.

12. NYC Ferry System

In 2016, NYCEDC contracted with HNY Ferry, LLC (HNY) for the provision of ferry services under the new NYC Ferry system. The system is currently made up of five routes and a seasonal shuttle that were designed to meet the transportation needs of neighborhoods traditionally underserved by public transportation. HNY assumed operational responsibility for the then-existing East River Ferry route in December 2016 to incorporate that route into the NYC Ferry system. The initial NYC Ferry routes began operations between 2017 and 2018.

The net cost of these operations as of June 30, 2021, was $32.5 million. To partially offset the costs to NYCEDC for establishing and operating the ferry system, NYCEDC was not required to remit to the City $16.7 million under the Maritime Contract or commercial rents received from the 42nd Street Development Project (Notes 3 and 14). Any remaining deficit is currently being funded by unrestricted resources.

13. Future Tenant Receivables

Pursuant to the ground leases with Brookfield Asset Management (formerly 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 $28.8 million, of which $16.3 million is for Jay Street (One Metrotech Center), $3.6 million is for Bridge Street (Two Metrotech Center), $5.1 million is for Tech Place (11 Metrotech Center) and $3.8 million is for Myrtle Avenue (Nine Metrotech Center). These amounts will be collected over a period ranging from 4 years to 16 years and are recognized as revenue over the life of the related leases.

14. 42nd Street Development Project

The 42nd Street Development Project (the Project) was conceived in the 1980s as a joint initiative of the City and the State 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 make up the Project transferred from the State to the City.

14. 42nd Street Development Project (continued)

Beginning in January 1, 2011, and in accordance with section 11.05 of the Master Contract, NYCEDC transferred to the City all payments in lieu of taxes, real estate taxes and substantially all rental revenues it collected on the Project. Beginning in fiscal year 2017, to partially offset the costs to NYCEDC for establishing and operating the NYC Ferry service (Note 12), the Corporation has not been required to remit rental revenues from the Project to the City. NYCEDC, however, is required to pass through to the City all payments in lieu of taxes and real estate taxes collected from the Project.

15. Pension Plan

NYCEDC maintains a 401(a) defined contribution pension plan that covers substantially all full-time employees. The pension plan provides for variable contribution rates by NYCEDC ranging from 6% to 18% of the employees' eligible wages, as defined in the IRC. NYCEDC employees receive a nonmatching contribution in the amount of 6% of wages at the beginning of the 2nd year of employment. This amount increases to 10% at the beginning of the 4th year of employment, 12% at the beginning of the 5th year of employment, 14% at the beginning of the 6th year of employment, 16% at the beginning of the 11th year of employment, and 18% at the beginning of the 16th 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 year ended June 30, 2021, amounted to $6.0 million and is included in personnel services in the accompanying statement of revenues, expenses, and changes in net position.

16. 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, this plan was amended during February 2011 with an effective date of July 1, 2011, and again in July 2016 with an effective date of June 30, 2016. The amendments include revisions to the definition of what constitutes an eligible participant and the closure of the plan to new participants. As a result of these amendments, 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 EDC, and (iii) all active employees who started

16. Postemployment Benefits Other Than Pensions (continued)

working prior to January 1, 2011, with (a) at least 10 years of service as of that date or (b) who will be age 60 or older by June 30, 2023, and will have at least 10 years of service by the time they retire.

Benefit provisions and contribution requirements for the plan are administered and managed by a committee consisting of NYCEDC employees and can be amended by the Corporation. There is no statutory requirement for NYCEDC to continue this plan. 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 benefits pay a premium amount equal to what a current NYCEDC active employee pays, based on the retiree's 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 coverage. Additional costs may be incurred by the retiree under either the Low or High plan version.

On June 27, 2018, NYCEDC established and funded the New York City Economic Development Corporation OPEB Trust (the Trust), an irrevocable trust for the payments to fund this obligation. All of the plan assets are maintained within the Trust, and detailed information about the OPEB plan's fiduciary net position is presented in the Corporation's statement of fiduciary net position and statement of changes in fiduciary net position.

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the benefit terms:

	2021
Active employees	60
Inactive employees and/or beneficiaries currently receiving benefit payments	39
Future retirees and beneficiaries not currently receiving benefit payments	6
Total participants	105

16. Postemployment Benefits Other Than Pensions (continued)

For fiscal year 2021, benefit payments amounting to approximately $181,000 were paid by NYCEDC and will be reimbursed by the Trust in the following year from net position available for plan benefits.

Contributions – NYCEDC has the right to establish and amend the contribution requirements. For the fiscal year ended June 30, 2021, the average contribution rate was 0% of covered payroll.

Net OPEB Asset/Liability

The Corporation's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions – The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% per annum, compounded annually
Investment rate of return	2020 – 4.6% per annum, compounded annually
	2021 – 4.04% per annum, compounded annually
Salary increases	4.25%
Health care costs trend rates	7.4% grading down to an ultimate rate of 4.75% for <65,
	6.8% grading down to an ultimate rate of 4.75% for >65

Mortality rates were based on the Pub-2010 Above Median Headcount Weighted General Mortality table published by the Society of Actuaries in 2019. The mortality improvement scale was updated to the MP-2020 scale.

16. Postemployment Benefits Other Than Pensions (continued)

Long-Term Expected Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The goals of the OPEB plan's investment policy are to invest for the sole purpose of funding the OPEB plan obligation in a prudent manner and to conserve and enhance the value of the trust assets through appreciation and income generation, while maintaining a moderate investment risk.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.34% at June 30, 2021. The projection of cash flows used to determine the discount rate does not assume any additional contributions. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2058. After that time, benefit payments for current plan members will be funded on a pay-as-you-go basis.

Investments

Investment Policy – The Trust's investments are made in accordance with the provisions of the Trust's investment policy (the Investment Policy). The goals of the Investment Policy are to invest for the sole purpose of funding the OPEB plan's obligation of the Corporation in a prudent manner and to conserve and enhance the value of the Trust's assets through appreciation and income generation while maintaining a moderate investment risk.

The Trust has retained an investment consultant to ensure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The Investment Policy was adopted in April 2019. The Trust is currently invested in the following securities within the current investment policy limitations:

16. Postemployment Benefits Other Than Pensions (continued)

Asset Class	Allocation
US large cap	8%
Non-US equity	4
Absolute return	8
Long-term bond	40
Aggregate bond	40
	100%

The Investment Policy limits the Trust from investing no more than 5% of the total portfolio in the common stock of any one corporation. The Trust may not hold more than 5% of the outstanding shares of any one company. Fixed-income securities of any one issuer shall not exceed 5% of the total fixed income portfolio at the time of purchase if held in a separate account. Holdings of any individual issue, other than issues of the United States government, may not exceed 5% of the value of the total issue. Commingled investment vehicles such as mutual funds or common trust or collective investment funds will be evaluated based on their diversification characteristics as presented in their investment strategy and discipline.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – Value based on quoted prices in active markets for identical assets.

Level 2 – Value based on significant other observable inputs such as a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Level 3 – Value based on inputs that are unobservable and significant to the fair value measurement such as discounted cash flows.

16. Postemployment Benefits Other Than Pensions (continued)

The following summarizes the Trust's investments by type held at June 30, 2021 (dollars in thousands):

	June 30, 2021				
Investment type	Level	Fair Value	Investments Less Than 1 Year	Maturities 1–5 Years	Maturities 6–10 Years
Investments by fair value level					
Money market fund	1	$ 324	$ 324	$ –	$ –
Mutual funds	1	23,803	23,803	–	–
Total investments by fair value level		24,127	$ 24,127	$ –	$ –
Less amounts reported as cash equivalents per the financial statements		(324)			
Total investments per the financial statements		$ 23,803			

The following discusses the Trust's exposure to common deposit and investment risks related to custodial credit, credit, concentration of credit, interest rate and foreign currency risks as of June 30, 2021.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the Trust's deposits may not be returned. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Trust, and are held by either the depository financial institution or the depository financial institution's trust department or agent but not in the Trust's name.

The Trust manages custodial credit risk by limiting its investments to highly rated institutions or requiring that high-quality collateral be held by the counterparty in the name of the Corporation.

16. Postemployment Benefits Other Than Pensions (continued)

Credit Risk – Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Trust has an investment policy regarding the management of Credit Risk, as outlined above. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

At June 30, 2021, the Trust did not have any investment in debt securities.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Trust's investment in a single issuer. Investments of Trust assets are diversified in accordance with the Corporation's investment policy, which defines guidelines for the investment holdings. The asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy and the securities markets. At June 30, 2020, no more than 5% of the Trust's investments were in a single issuer.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Within cash portions of the portfolio, interest rate risk is managed using the effective duration methodology. This methodology is widely used in the management of cash and fixed income portfolios in that it quantifies with greater precision the amount of risk due to interest rate changes. Interest rate risk is managed by investing in mutual funds that limit risk by diversifying holdings and purchasing companies of lower risk.

Rate of Return – As required by GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the annual money-weighted rate of return on trust investments, net of investment expenses was 5.6% for the fiscal year ended June 30, 2021. The calculation is based on monthly income and average monthly investment balances.

16. Postemployment Benefits Other Than Pensions (continued)

Changes in Net OPEB (Asset) Liability

For the fiscal year ended June 30, 2021 (dollars in thousands):

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balances at beginning of the year	$ 21,362	$ 23,069	$ (1,707)
Changes for the year:			
Service cost	407	–	407
Interest	897	–	897
Changes of benefit terms	–	–	–
Difference between expected and actual experience	(99)	–	(99)
Changes of assumptions	2,379	–	2,379
Contributions – employer	–	–	–
Net investment income	–	1,294	(1,294)
Benefit payments	(330)	(330)	–
Plan expense	–	(98)	98
Net changes	3,254	866	2,388
Net OPEB liability at end of year	$ 24,616	$ 23,935	$ 681

16. Postemployment Benefits Other Than Pensions (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB (asset) liability of the Corporation, as well as what NYCEDC's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.34%) or 1 percentage point higher (4.34%) than the current discount rate (dollars in thousands):

	1% Decrease	Discount Rate (3.34%)	1% Increase
Net OPEB (asset) liability, June 30, 2021	$ 4,556	$ 681	$ (2,530)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates – The following presents the net OPEB (asset) liability of the Corporation, as well as what NYCEDC's net OPEB (asset) liability would be if it were calculating using health care cost trend rates that are 1 percentage point lower or 1 percent point higher (dollars in thousands):

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Net OPEB (asset) liability, June 30, 2021	$ (3,316)	$ 681	$ 5,731

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, NYCEDC recognized OPEB income of $0.3 million. OPEB income and expense are reported in the Corporation's financial statements as part of personnel services expense. At June 30, 2021, NYCEDC reported deferred inflows of resources related to OPEB from the following sources (dollars in thousands):

	Deferred Inflows	Deferred Outflows
Difference between expected and actual experience	$ 212	$ 970
Changes in assumptions	2,350	1,991
Difference between projected and actual investment earnings	1,218	–
	$ 3,780	$ 2,961

16. Postemployment Benefits Other Than Pensions (continued)

Amounts reported will be recognized in OPEB expense as follows (dollars in thousands):

Fiscal year ended June 30:		
2022	$	632
2023		620
2024		360
2025		(367)
2026 and thereafter		(426)
	$	819

17. Blended Component Units

CLIC Captive Insurance

In 2016, NYCEDC established the City Lights Insurance Company (CLIC) as a single parent captive insurance company wholly owned by NYCEDC. CLIC was incorporated on May 26, 2016, and is domiciled in the State of New York. It commenced business operations on July 1, 2016.

At June 30, 2021, CLIC had no investments and maintained a cash balance of approximately $3.4 million with JP Morgan Chase.

CLIC continues to provide coverage for two lines of insurance: cyber insurance and additional terrorism insurance. CLIC provides excess cyber coverage to NYCEDC and each company that is more than 50% owned and controlled by NYCEDC, with limits of $9 million per claim and in the aggregate, in excess of $5 million of underlying insurance and self-insured retentions.

CLIC also began directly providing terrorism insurance for acts of Nuclear, Biological, Chemical or Radiological terrorism, with limits of $6 million per occurrence and in the aggregate for any one certified act of terrorism.

17. Blended Component Units (continued)

All policies provided by CLIC cover certified terrorism losses as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and subsequent extensions. Under the TRIA coverage, the United States Government provides a backstop on a quota share basis for 85% (beginning on January 1, 2016 and decreasing by 1% per calendar year until equal to 80%) if the total loss affecting all involved insurers exceeds $100 million.

Effective December 10, 2018, CLIC began directly providing flood deductible and self-insured retention reimbursement coverage for locations not covered by a National Flood Insurance Program or located in Special Flood Hazard Areas as defined by the Federal Emergency Management Agency to NYCEDC and its affiliates, with limits ranging from $500,000 to $1,000,000 in excess of a $25,000 deductible per occurrence, with no aggregate limits.

Statement of Net Position

The following table summarizes CLIC's financial position at June 30, 2021 (dollars in thousands):

Total assets	$ 3,375
Total liabilities	20
Total net position	$ 3,355

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes CLIC's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

Operating revenues	$ 532
Operating expenses	87
Operating income	445
Change in net position	445
Total net position, beginning of fiscal year	2,910
Total net position, end of fiscal year	$ 3,355

17. Blended Component Units (continued)

City of New York Early Stage Life Sciences Fund LLC

The City of New York Early Stage Life Sciences Fund LLC (ESLSF) was formed in December of 2013, as a result of an initiative designed to champion the City's early-stage life sciences ecosystem. It is designed to support the development of new technologies and products for patients and researchers, including therapeutics, medical devices, diagnostics, research and development instrumentation, and digital life sciences technologies.

Statement of Net Position

The following table summarizes ESLSF's financial position at June 30, 2021 (dollars in thousands):

Total assets	$ 3,494
Total liabilities	–
Total net position	$ 3,494

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes ESLSF's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

Operating revenues	$ –
Operating expenses	–
Operating income (loss)	–
Non-operating income	1
Change in net position	1
Total net position, beginning of fiscal year	3,493
Total net position, end of fiscal year	$ 3,494

17. Blended Component Units (continued)

New York City Entrepreneurial Fund LLC

The New York City Entrepreneurial Fund LLC (NYCEF) was formed in February of 2010 to facilitate the expansion of the City's entrepreneurial sector by incentivizing new private sector seed and early stage financing for companies based in the City.

Statement of Net Position

The following table summarizes NYCEF's financial position at June 30, 2021 (dollars in thousands):

Total assets	$	1,309
Total liabilities		–
Total net position	$	1,309

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes NYCEF's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

Operating revenues	$	–
Operating expenses		–
Operating income (loss)		–
Non-operating income		–
Interfund transfers		–
Change in net position		–
Total net position, beginning of fiscal year		1,309
Total net position, end of fiscal year	$	1,309

17. Blended Component Units (continued)

NYC Ferry Fleet, LLC

The NYC Ferry Fleet, LLC (NYCFF) was formed in October of 2018 to take title of purchased ferry vessels operating in the NYC Ferry system. Depreciation expense of titled vessels is reflected as operating costs of NYCFF.

Statement of Net Position

The following table summarizes NYCFF's financial position at June 30, 2021 (dollars in thousands):

Total assets	$ 216,433
Total liabilities	–
Total net position	$ 216,433

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes NYCFF's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

Operating revenues	$ –
Operating expenses	9,225
Operating loss	(9,225)
Capital contributions	11,620
Change in net position	2,395
Total net position, beginning of year	214,038
Total net position, end of year	$ 216,433

17. Blended Component Units (continued)

NYC COVID-19 Emergency Services, LLC

The NYC COVID-19 Emergency Services LLC (NYCCES) was formed in April of 2020 to take all appropriate and necessary steps to render all required and available assistance to protect the security, well-being and health of the residents of the City and property in which the City or NYCEDC has an interest. Such services may include, but are not limited to, making emergency procurements of goods and services for such purposes.

Statement of Net Position

The following table summarizes NYCCES's financial position at June 30, 2021 (dollars in thousands):

Total assets	$ 2,260
Total liabilities	2,251
Total net position	$ 9

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes NYCCES's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

Operating revenues	$ 26,868
Operating expenses	26,868
Operating income	–
Non-operating income	9
Change in net position	9
Total net position, beginning of fiscal year	–
Total net position, end of fiscal year	$ 9

17. Blended Component Units (continued)

NYC COVID-19 Response, LLC

The NYC COVID-19 Response LLC (NYCCR) was formed in March of 2021 to establish a program that will facilitate funding to address the needs of hospitals in the City caused by the COVID-19 pandemic and the emerging new variants of the COVID-19 virus.

Statement of Net Position

The following table summarizes NYCCR's financial position at June 30, 2021 (dollars in thousands):

Total assets	$ 788
Total liabilities	788
Total net position	$ –

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes NYCCR's change in net position for the fiscal year ended June 30, 2021 (dollars in thousands):

Operating revenues	$ 4
Operating expenses	4
Operating income (loss)	–
Non-operating income (loss)	–
Change in net position	–
Total net position, beginning of fiscal year	–
Total net position, end of fiscal year	$ –

18. 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 the leasing and selling of certain properties. No fees were established between NYCEDC and LDC in the current fiscal year. Instead, the Corporation provides LDC with operating grant funding for LDC's general and administrative expenses. For the fiscal year ended June 30, 2021, $1,822 was provided to LDC for such expenses.

New York City Industrial Development Agency (IDA)

NYCEDC is responsible for administering the economic development programs of IDA. For fiscal year ended June 30, 2021, the Corporation earned management fee income from IDA of $4.4 million. At June 30, 2021, the amount due from IDA totaled $0.6 million.

Build NYC Resource Corporation (Build NYC)

Build NYC was incorporated under section 1411 of the NPCL in 2013. Pursuant to an annual agreement between NYCEDC and Build NYC, the Corporation provides management services to Build NYC and administers its financial books and records. For fiscal year ended June 30, 2021, NYCEDC earned management fee income from Build NYC of $2.2 million. At June 30, 2021, the amount due from Build NYC totaled $0.4 million.

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

Pursuant to an annual agreement between NYCEDC and TCR, the Corporation provides TCR with management services. For the fiscal year ended June 30, 2021, NYCEDC earned management fees of $0.3 million from TCR. At June 30, 2021, there were no amounts due from TCR.

New York City Neighborhood Capital Corporation (NCC)

NCC is a not-for-profit corporation organized under the NPCL. NCC has all power and authority to make qualified low-income community investments in the City of New York and to allocate federal tax credits for this purpose. NYCEDC provided full management services to NCC, and no

18. Other Related-Party Transactions (continued)

fees were charged for these services for the fiscal year ended June 30, 2021. At June 30, 2021, the amounts due from NCC for the reimbursement of costs paid by the Corporation on behalf of NCC totaled $7,522.

Public Realm Improvement Fund Governing Group Inc. (PRIF)

PRIF, which was incorporated under NPCL and commenced operation in 2017, was created to administer the Public Realm Improvement Fund (the Fund) for the exclusive charitable and public purpose of lessening the burdens of government for the City and acting in the public's interest. Specifically, this is done by allocating funds from the Fund to implement public realm improvement projects in East Midtown. The Corporation provided full management services to PRIF, and no fees were charged for these services for fiscal year ended June 30, 2021. At June 30, 2021, the amounts due from PRIF for the reimbursement of costs paid by NYCEDC on behalf of PRIF, totaled $13,215.

19. Accounting for Derivatives and Fuel Hedging Activity

As described in Note 12, NYCEDC, on behalf of the City, contracted in June 2016 with HNY for the provision of ferry services for the new NYC Ferry system. NYCEDC was initially responsible for the cost of up to 3.3 million gallons of ultra-low sulfur diesel fuel per annum under the six-year operating agreement with HNY. Due to the unexpected increase in demand for ferry services that occurred immediately after the launch of the program, the Corporation contracted to increase the number of vessels in service and the related annual fuel cap for future years. The cap will increase gradually to reach 8.3 million gallons by fiscal year 2023. COVID-19 has significantly reduced ridership, prompting reductions to ferry service and related fuel usage. It is not known if, or for how long, these conditions will persist. Although the contract caps the number of gallons that NYCEDC is responsible for, the price per gallon is subject to market conditions. Consequently, the Corporation was authorized by its Board of Directors to implement an energy price risk management program to manage NYCEDC's exposure to the cost of fuel for NYC Ferry.

NYCEDC enters into all fuel hedging arrangements for the sole purpose of hedging against cash flow fluctuations and increasing budgetary certainty. NYCEDC is represented in these transactions by an advisor and designated evaluation agent, also known as a qualified independent representative (QIR).

19. Accounting for Derivatives and Fuel Hedging Activity (continued)

The following risks are generally associated with hedging instruments:

Basis Risk – A systemic risk that arises from variations between hedge-relative price and cash/spot price of the hedged commodity at any given point of time. However, NYCEDC uses the NY harbor low-sulfur diesel futures pricing index as the reference for both the hedging instruments and the delivery contracts, so there is a high correlation between the prices paid for the commodity and the futures contracts pricing.

Cash Flow Risk – The risk of experiencing outflow of cash to meet margin calls for future contracts due to falling prices for future contracts. This risk is naturally mitigated by the opposite movement of the actual prices paid as compared to the futures contract prices.

Counterparty Risk – The risk that the counterparty will not fulfill its obligations under the option contracts. To minimize such exposure, NYCEDC diversifies and executes transactions with multiple counterparties.

Termination Risk – The risk that the underlying hedge transactions will not run to maturity due to a counterparty event. To minimize this risk, NYCEDC will not purchase contracts where the counterparty has an option to terminate while NYCEDC is performing.

Beginning in September 2017, NYCEDC executed International Swaps and Derivatives Association (ISDA) master agreements with Chase Bank, N.A. (JPMorgan) and Citibank, N.A. (Citibank), paving the way to use swap and call option contracts for fuel hedging purposes. Subsequently, NYCEDC purchased call option contracts from JPMorgan, with a notional volume of 2.8 million gallons to hedge against the fuel cap for calendar year 2018 and a call option contract from Citibank, with a notional volume of 1.6 million gallons, covering the first half of calendar year 2019. These call options expired as of June 30, 2019. NYCEDC did not purchase any call options during fiscal year 2021.

Additionally, NYCEDC continued to use futures contracts as a hedging vehicle. On June 30, 2021, NYCEDC maintained a position of 274 futures contracts for ultra-low sulfur diesel and crude oil. These contracts cover a percentage of the fuel commitment for the next two years of the HNY operating contract period.

19. Accounting for Derivatives and Fuel Hedging Activity (continued)

As of June 30, 2021, the fair values of NYCEDC's commodity futures contracts, based on average daily rates, are listed below. These contracts fall within the Level 2 category investments of the fair value hierarchy.

Diesel Fuel	Notional Amount – Gallon	Number of Contracts	Maturity Date	Fair Value June 30, 2021	Average Futures Price $/Gallon
	546,000	13	Aug 2021	$ 135,979	$ 1.88
	504,000	12	Sep 2021	113,959	1.90
	462,000	11	Oct 2021	132,413	1.84
	462,000	11	Nov 2021	155,379	1.79
	462,000	11	Dec 2021	181,705	1.74
	462,000	11	Jan 2022	175,455	1.75
	420,000	10	Feb 2022	209,231	1.62
	462,000	11	Mar 2022	239,580	1.59
	504,000	12	Apr 2022	254,776	1.59
	546,000	13	May 2022	261,475	1.60
	588,000	14	Jun 2022	273,983	1.60
	630,000	15	Jul 2022	287,398	1.61
	588,000	14	Aug 2022	271,618	1.60
	546,000	13	Sep 2022	238,728	1.63
	546,000	13	Oct 2022	251,584	1.60
	462,000	11	Nov 2022	199,223	1.63
	462,000	11	Dec 2022	207,043	1.61
	462,000	11	Jan 2023	199,534	1.62
	420,000	10	Feb 2023	184,531	1.61
	462,000	11	Mar 2023	217,535	1.56
	504,000	12	Apr 2023	215,804	1.59
	462,000	11	May 2023	191,243	1.59
	378,000	9	Jun 2023	137,706	1.63
	168,000	4	Jul 2023	48,577	1.70
Total fair value				$ 4,784,459	

20. Commitments and Contingencies

NYCEDC has an aggregate contractual commitment of $43.2 million at June 30, 2021, under different self-funded economic development initiatives and projects, including but not limited to the NYC Ferry system and the City of New York Early-Stage Life Sciences.

Additionally, NYCEDC entered into a new lease agreement for its new headquarters effective March 2018 with an expiration date of May 31, 2039. The future minimum rental commitments, as of June 30, 2021, required under the operating lease are as follows (dollars in thousands):

Fiscal year:	
2022	$ 11,840
2023	11,846
2024	11,951
2025	12,808
2026	12,980
2027 to 2031	67,152
2032 to 2036	72,900
2037 and thereafter	44,590
	$ 246,067

Accordingly, rent expense for office space amounted to $11.8 million for fiscal year ended June 30, 2021.

The Corporation's loan and loan guarantee finance programs are designed to provide financial assistance to certain eligible businesses with the expectation of spurring economic development benefits for the City. As of June 30, 2021, NYCEDC's aggregate commitment for these programs is $104.0 million, of which $41.9 million has been put on hold to reallocate resources due to COVID-19.

20. Commitments and Contingencies (continued)

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) for renovation of the New Amsterdam Theatre. The principal loan amount of $25.6 million was equally disbursed by the trustees and matures on January 31, 2027. Interest on the loan has ranged between 3.0% and 3.5%. NYCEDC's portion of the loan, $12.8 million, was reimbursed to the Corporation by the City. The conduit loan payment constitutes both a receivable from NADC and a payable to the City. This transaction is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

NYCEDC is party to a funding agreement between ESDC, the City, and the Trustees of Columbia University (Columbia). 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 was scheduled to repay the $18 million to NYCEDC no later than April 5, 2020. As of June 30, 2021, the amount due remains unpaid, and the parties are negotiating a payment agreement. The Corporation'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 and is not reflected in the financial statements as it does not have any impact on NYCEDC's financial position.

NYCEDC, and in certain situations as co-defendant with the City, IDA, 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.

21. Risk Management

Given the diverse nature of projects, initiatives and assets managed by NYCEDC and its concentrated operational geography, the Corporation is exposed to a variety of exposures and their potential risks. Based on NYCEDC's operations, the Corporation's risk can largely be categorized as theft of, damage to, and destruction of real assets; various types of injury or harm to employees and third parties; tort law; and reputational. In response, NYCEDC diligently works to identify, understand and, where possible, quantify these risks associated with current and potential operations to ensure the appropriate action is implemented to properly address them. The Corporation uses several methods to mitigate these risks, including but not limited to loss prevention/risk engineering, contractual risk transfer, and the use of financial and commercial insurance products.

Required Supplementary Information

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

Schedule of Changes in Net OPEB Liability
(In Thousands)

	2021	2020	2019	2018
Total OPEB liability:				
Service cost	**$ 407**	$ 380	$ 531	$ 561
Interest	**897**	816	704	666
Changes of benefit terms	**–**	900	–	–
Difference between expected and actual experience	**(99)**	1,440	(206)	(103)
Changes in assumptions	**2,379**	(1,177)	(3,180)	(147)
Benefit payments	**(330)**	(208)	(201)	(225)
Net change in total OPEB liability	**3,254**	2,151	(2,352)	752
Total OPEB liability – beginning	**21,362**	19,211	21,563	20,811
Total OPEB liability – ending (a)	**$ 24,616**	$ 21,362	$ 19,211	$ 21,563
Total fiduciary net position:				
Contributions – employer	**$ –**	$ –	$ –	$ 20,000
Net investment income	**1,294**	2,434	1,195	–
Administrative expenses paid by the Trust	**(98)**	(36)	–	–
Benefit payments	**(330)**	–	–	–
Benefits and expenses payable	**–**	(524)	–	–
Net change in fiduciary net position	**866**	1,874	1,195	20,000
Trust fiduciary net position – beginning	**23,069**	21,195	20,000	–
Trust fiduciary net position – ending (b)	**$ 23,935**	$ 23,069	$ 21,195	$ 20,000
Corporation's net OPEB (asset) liability – end of fiscal year (a-b)	**$ 681**	$ (1,707)	$ (1,984)	$ 1,563
Trust fiduciary net position as a percentage of the total OPEB liability	**97%**	108%	110%	93%

Notes to schedule

Changes of assumptions:

Discount rate was changed from 4.15% at June 30, 2020, to 3.34% at June 30, 2021.

Rate of return was changed from 4.60% at June 30, 2020, to 4.04% at June 30, 2021.

The mortality improvement scale was updated to use MP-2020 at June 30, 2021, from the MP-2019 at June 30, 2020.

This schedule is intended to present information for 10 years. Additional years will be presented when available.

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

Schedule of OPEB Contributions
(In Thousands)

	2021	2020	2019	2018
Actuarially determined contribution	**$ –**	$ –	$ –	$ –
Contributions in relation to the actuarially determined contribution	–	–	–	20,000
Contribution deficiency (excess)	**$ –**	$ –	$ –	$ (20,000)
Covered-employee payroll	**$ 8,031**	$ 8,405	$ 8,018	$ 8,231
Contributions as a percentage of covered-employee payroll	**–%**	–%	–%	243%

Valuation dates:	June 30, 2020; results were rolled forward to June 30, 2021.
Actuarial cost method:	Entry age normal, level percent of pay; service costs are attributed through all assumed ages of exit from active service.
Amortization method:	N/A
Asset valuation method:	Market values
Inflation:	3.0% per annum
Salary increases:	4.25% per annum
Investment rate of return:	4.04% for 2021
Health care trend rates:	7.4% grading down to an ultimate rate of 4.75% for <65, 6.8% grading down to an ultimate rate of 4.75% for >65
Mortality:	Based on the Pub-2010 Above Median Headcount Weighted General Mortality table published by the Society of Actuaries in 2019. The mortality improvement scale was updated to the MP-2020 scale.
Benefit changes:	Plan change adopted since the last full valuation which provides survivor coverage for a period of up to five years following the death of the retiree.

This schedule is intended to present information for 10 years. Additional years will be presented when available.

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

Schedule of Investment Returns

	2021	**2020**	**2019**	**2018**
Annual money-weighted rate of return, net of investment expense	**5.6%**	11.5%	6.0%	–%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Supplementary Information

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

Combined Statement of Revenues, Expenses, and Changes in Fund Net Position
(In Thousands)

	Total Unrestricted	Maritime Fund	NYC Ferry	Adjustment	Total Maritime and NYC Ferry	NYC Ferry Fleet, LLC	Brooklyn Army	Other Properties	Finance Programs	Capital Programs	Public Purpose and Other Fund	Apple 42nd Street	June 30, 2021
Operating revenues:													
Grants	$ 87,214	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 549,222	$ 16,020	$ –	**$ 652,456**
Property rentals	41,574	53,606	–	–	53,606	–	31,479	4,066	–	–	–	66,567	**197,292**
Real estate sales, net	5,000	–	–	–	–	–	–	–	–	–	–	–	**5,000**
Ferry related revenues	–	–	9,358	(9,358)	–	–	–	–	–	–	–	–	**–**
Fee income	13,127	3	–	–	3	–	29	–	–	–	12	82	**13,253**
Other income	10,899	35,300	3,479	(3,479)	35,300	–	4,206	772	351	–	2,376	393	**54,297**
Other Income – 42nd Street	35,269	–	–	–	–	–	–	–	–	–	–	(35,269)	**–**
Total Operating revenues	193,083	88,909	12,837	(12,837)	88,909	–	35,714	4,838	351	549,222	18,408	31,773	**922,298**
Operating expenses:													
Project costs	92,046	–	–	–	–	–	–	–	–	–	20,987	–	**113,033**
Program costs	–	–	–	–	–	–	–	–	337	549,222	–	–	**549,559**
Property rentals and related operating expenses	8,902	53,402	–	–	53,402	–	18,346	3,999	–	–	–	1,748	**86,397**
Ferry related expenses	–	–	45,350	(12,832)	32,518	–	–	–	–	–	–	–	**32,518**
Personnel services	59,113	7,479	5	(5)	7,479	–	2,003	460	198	–	82	860	**70,195**
Contract and other expenses to the City	3,405	–	–	–	–	–	–	–	–	–	–	25,362	**28,767**
Office rent	11,756	–	–	–	–	–	–	–	–	–	–	–	**11,756**
Other general expenses	24,774	9,649	–	–	9,649	9,225	7,470	229	145	679	20	3,803	**55,994**
Total operating expenses	199,996	70,530	45,355	(12,837)	103,048	9,225	27,819	4,688	680	549,901	21,089	31,773	**948,219**
Operating (loss) income	(6,913)	18,379	(32,518)	–	(14,139)	(9,225)	7,895	150	(329)	(679)	(2,681)	–	**(25,921)**
Non-operating revenues (expenses):													
Income (Loss) from Investments	83	3	–	–	3	–	–	6	(14)	–	(1)	–	**77**
Total non-operating revenues (expenses):	83	3	–	–	3	–	–	6	(14)	–	(1)	–	**77**
Income before transfers	(6,830)	18,382	(32,518)	–	(14,136)	(9,225)	7,895	156	(343)	(679)	(2,682)	–	**(25,844)**
Interfund transfers	8,479	(18,382)	18,382	–	–	–	(8,479)	–	–	–	–	–	**–**
Change in net position before capital contributions	1,649	–	(14,136)	–	(14,136)	(9,225)	(584)	156	(343)	(679)	(2,682)	–	**(25,844)**
Capital contributions	2,007	–	–	–	–	11,621	–	–	–	(5,567)	–	–	**8,061**
Change in net position	3,656	–	(14,136)	–	(14,136)	2,396	(584)	156	(343)	(6,246)	(2,682)	–	**(17,783)**
Total net position, beginning of fiscal year	302,876	7,000	(76,215)	–	(69,215)	214,038	19,165	1,601	54,270	10,378	31,134	–	**564,247**
Total unrestricted net position, end of fiscal year	234,262	4,073	(91,931)	–	(87,858)	–	–	–	–	–	–	–	**146,404**
Total restricted net position, end of fiscal year	–	–	–	–	–	–	500	1,757	53,927	3,012	28,452	–	**87,648**
Total net investment in capital assets, end of fiscal year	72,270	2,927	1,580	–	4,507	216,434	18,081	–	–	1,120	–	–	**312,412**
Total net position, end of fiscal year	$ 306,532	$ 7,000	$ (90,351)	$ –	$ (83,351)	$ 216,434	$ 18,581	$ 1,757	$ 53,927	$ 4,132	$ 28,452	$ –	**$ 546,464**

II. Government Auditing Standards Section

Building a better
working world

Ernst & Young LLP
One Manhattan West
New York, NY 10001-8604

Tel: +1 212 773 3000
ey.com

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 the business-type activities and the fiduciary activities of New York City Economic Development Corporation (NYCEDC), a component unit of The City of New York, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise NYCEDC's basic financial statements, and have issued our report thereon dated September 30, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NYCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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.

Building a better working world

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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of 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, 2021