



FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

New York City Industrial Development Agency  
(A Component Unit of The City of New York)  
Years Ended June 30, 2011 and 2010  
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

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

Financial Statements and Supplemental Information

Years Ended June 30, 2011 and 2010

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## Report of Independent Auditors

The Board of Directors  
New York City Industrial Development Agency

We have audited the balance sheets of the New York City Industrial Development Agency (the Agency), a component unit of The City of New York, as of June 30, 2011 and 2010 and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Agency's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York City Industrial Development Agency as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2, the Agency adopted Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* as of July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

*Ernst + Young LLP*

September 20, 2011

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

Management's Discussion and Analysis

June 30, 2011

This section of the New York City Industrial Development Agency (IDA or the Agency) annual financial report presents our discussion and analysis of financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

**2011 Financial Highlights**

- Unrestricted cash, cash equivalents and investments increased \$13,281,650 (or 33%)
- Current liabilities increased \$20,437,610 (or 26%)
- Unrestricted net assets increased \$11,140,207 (or 28%)
- Operating revenues increased \$13,331,182 (or 166%)
- Operating income increased \$11,528,211 (or 676%)
- Operating expenses increased 1,802,971 (or 29%)
- Nonoperating expenses increased \$724,375 (or 53%)

**Overview of the Financial Statements**

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

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

## Financial Analysis of the Agency

**Net Assets** – The following table summarizes IDA’s financial position at June 30, 2011, 2010, and 2009 (\$ in thousands) and the percentage changes between June 30, 2011, 2010 and 2009:

	2011	2010	2009	% Change	
				2011 – 2010	2010 – 2009
Current and other assets	\$ 1,986,794	\$ 1,991,372	\$ 2,003,341	0%	(1)%
Total assets	1,986,794	1,991,372	2,003,341	0	(1)
Current liabilities	99,692	79,255	71,322	26	11
Noncurrent liabilities	1,836,464	1,872,619	1,892,858	(2)	(1)
Total liabilities	1,936,156	1,951,874	1,964,180	(1)	(1)
Total net assets	\$ 50,638	\$ 39,498	\$ 39,161	28%	1%

In fiscal year 2011, current and other assets decreased by \$4,577,973 or 0.2% as a result of payments relating to the Yankee Stadium and Queens Ballpark Projects.

In fiscal year 2010, current and other assets decreased by \$11,969,947 or 1% as a result of payments relating to the Yankee Stadium and Queens Ballpark Projects.

In fiscal year, 2011, unrestricted cash and unrestricted investments increased by \$13,281,650 or 33% primarily as a result from monies received relating to recapture benefits and other penalties from Pfizer, Inc.

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

The Agency’s net assets increased \$11,140,207 or 28% in fiscal year 2011 primarily as a result of the net recapture benefits and other penalties in the amount of \$12,213,026. Net assets decreased by \$336,370 or 1% in fiscal year 2010 as a result of its normal operating activities.

## Operating Activities

The Agency assists industrial, commercial and not-for-profit organizations in obtaining long-term, low-cost financing for fixed assets through a financing transaction (the Financing Transaction), which includes the issuance of double and triple tax-exempt bonds. In addition, the Agency also assists participants through a “straight lease” structure. Whether the Agency issues tax-exempt bonds on behalf of project companies or merely enters into a straight lease, the Agency may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment. During the years ended June 30, 2011 and 2010, IDA did not issue any tax exempt bonds.

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

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

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

The following table summarizes IDA's changes in net assets for fiscal years 2011, 2010, and 2009 (\$ in thousands) and the percentage changes between June 30, 2011, 2010 and 2009:

	2011	2010	2009	% Change	
				2011 – 2010	2010 – 2009
Operating revenues:					
Fee income	\$ 7,153	\$ 3,208	\$ 3,886	123%	(18)%
Other income	14,187	4,801	880	157	446
Total operating revenues	21,340	8,009	4,766	143	68
Operating expenses:					
Management fees	6,052	6,052	6,052	0	0
Other expenses	2,053	250	382	(24)	(34)
Total operating expenses	8,105	6,302	6,434	(1)	(2)
Operating income (loss)	13,235	1,707	(1,668)	675	202
Nonoperating revenues (expenses):					
Earnings on investments	349	392	1,542	(11)	(75)
Special project costs	(2,444)	(1,762)	(6,562)	39	(73)
PILOT lease income	104,231	103,111	17,379	1	493
PILOT investment income	1,734	3,969	264	(56)	1,403
Bond interest expense	(105,965)	(107,080)	(17,643)	1	(507)
Total nonoperating revenues (expenses)	(2,095)	(1,370)	(5,020)	53	(73)
Change in net assets	11,140	337	(6,688)	3,206	105
Beginning net assets	39,498	39,161	45,849	1	(15)
Ending net assets	\$ 50,638	\$ 39,498	\$ 39,161	28	1

In fiscal year 2011, revenues relating to fee income increased by \$3,945,026 or 123%. This is directly a result of fees collected from the ESDC Liberty Project Bonds in the amount of \$4,862,500.

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

In fiscal year 2010, revenues relating to other operating income increased by \$3,921,471 or 446%. This is a result of recapture benefits for Pfizer Inc., AXA Equitable Variable Life Insurance, Reuters America, and Mutual Life Insurance.

Other expenses increased by 1,802,971 or 720%. This is a result of the contingency fee due to EDC, deriving from the Pfizer, Inc. transaction.

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

Special project costs decreased by \$4,798,911 or 73% in fiscal year 2010 due to the completion of several projects during the prior fiscal year.

### **Contacting the Agency's Financial Management**

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

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

Balance Sheets

	June 30	
	2011	2010
<b>Assets</b>		
Current assets:		
Unrestricted cash and cash equivalents <i>(Note 3)</i>	\$ 34,424,672	\$ 4,228,097
Unrestricted investments <i>(Note 3)</i>	9,328,191	36,613,294
Restricted cash <i>(Note 3)</i>	2,362,171	—
Restricted investments <i>(Note 3)</i>	2,382,739	2,382,739
Fees receivable, net of allowance for doubtful accounts of \$42,062 and \$91,718, respectively	298,546	198,347
PILOT lease receivable, net	20,272,771	18,993,558
Total current assets	69,069,090	62,416,035
Noncurrent assets:		
Unrestricted investments <i>(Note 3)</i>	10,370,178	—
Restricted cash – stadium projects <i>(Note 3)</i>	49,291,749	22,900,410
Restricted investments – stadium projects <i>(Note 3)</i>	86,824,964	102,216,131
PILOT lease receivable, net	1,685,393,768	1,701,402,421
Deferred bond issuance costs	79,184,037	82,601,213
Deferred outflow of resources <i>(Note 7)</i>	6,659,968	19,835,517
Total noncurrent assets	1,917,724,664	1,928,955,692
Total assets	\$ 1,986,793,754	\$ 1,991,371,727
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 61,313	\$ 67,467
Due to New York City Economic Development Corporation	3,219,124	945,083
Bonds payable – current	20,272,771	18,993,558
Interest payable on bonds	70,891,047	56,336,463
Deferred revenues <i>(Note 5)</i>	480,738	529,336
Other liabilities	4,767,263	2,382,739
Total current liabilities	99,692,256	79,254,646
Noncurrent liabilities:		
Bonds payable, net <i>(Note 6)</i>	1,829,803,471	1,852,783,712
Derivative instrument – interest rate swap <i>(Note 7)</i>	6,659,968	19,835,517
Total noncurrent liabilities	1,836,463,439	1,872,619,229
Total liabilities	1,936,155,695	1,951,873,875
Unrestricted net assets	50,638,059	39,497,852
	\$ 1,986,793,754	\$ 1,991,371,727

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Fund Net Assets

	<b>Year Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Operating revenues:		
Fee income ( <i>Note 2</i> )	\$ 7,152,668	\$ 3,207,642
Recapture and other related benefits ( <i>Note 2</i> )	14,076,220	4,186,580
Other income ( <i>Note 2</i> )	111,087	614,571
Total operating revenues	21,339,975	8,008,793
Operating expenses:		
Management fees ( <i>Note 4</i> )	6,052,117	6,052,117
Accounting fees	66,724	73,530
Consulting fees	27,945	54,671
Public hearing expenses	66,042	77,972
Marketing/advertising	6,827	37,812
Legal fees	11,000	-
Miscellaneous expenses	11,481	6,257
Contingency fee – EDC	1,863,194	-
Total operating expenses	8,105,330	6,302,359
Operating income	13,234,645	1,706,434
Nonoperating revenues (expenses):		
Investment income	349,450	392,363
Special project costs ( <i>Note 9</i> )	(2,443,888)	(1,762,427)
PILOT lease income	104,230,950	103,111,155
PILOT investment income	1,733,669	3,968,500
Bond interest expense	(105,964,619)	(107,079,655)
Total nonoperating revenues (expenses)	(2,094,438)	(1,370,064)
Change in net assets	11,140,207	336,370
Net assets, unrestricted, beginning of year	39,497,852	39,161,482
Net assets, unrestricted, end of year	\$ 50,638,059	\$ 39,497,852

*See accompanying notes.*

New York City Industrial Development Agency  
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Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>		
Financing and other fees	\$ 7,010,853	\$ 3,251,538
Other income	46,686	4,786,139
Management fees paid	(6,052,117)	(6,052,117)
Consulting fees paid	(19,184)	(530)
Accounting fees paid	(69,530)	(19,000)
Public hearing fees paid	(55,763)	(68,385)
Marketing fees paid	(6,702)	(36,701)
Legal fees paid	(11,000)	–
Miscellaneous expenses paid	(1,797)	(4,897)
Recapture benefits and other penalties received	27,912,700	2,382,739
Payment to NYC and other agencies of recaptured benefits	(11,485,035)	–
Net cash provided by operating activities	17,269,111	4,238,786
<b>Cash flows from investing activities</b>		
Sale of investments	870,331,714	616,755,225
Purchase of investments	(838,025,621)	(403,163,987)
Investment income	2,827,839	3,968,505
Interest income	349,450	392,363
Net cash provided by investing activities	35,483,382	217,952,106
<b>Cash flows from capital and related financing activities</b>		
Interest payments on outstanding bonds	(85,722,076)	(84,749,919)
Payments for construction in progress	(318,990)	(192,307,851)
Bond principal redemption	(18,993,558)	(25,790,000)
Swap payments received	4,762,010	2,712,678
Swap payments made	(8,100,758)	(8,100,758)
Bond fees	(1,639,505)	(1,860,887)
PILOT revenue	118,185,209	107,363,057
Net cash provided by (used in) capital and related financing activities	8,172,332	(202,733,680)
<b>Cash flows from noncapital financing activities</b>		
Special projects	(1,974,740)	(3,813,957)
Net cash used in noncapital financing activities	(1,974,740)	(3,813,957)
Net increase in cash and cash equivalents	58,950,085	15,643,255
Cash and cash equivalents at beginning of year	27,128,507	11,485,252
Cash and cash equivalents at end of year	\$ 86,078,592	\$ 27,128,507

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

Statements of Cash Flows (continued)

	<b>Year Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 13,234,645	\$ 1,706,434
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Fees receivable	(100,199)	115,544
Accounts payable and accrued expenses	(6,154)	100,370
Due to NYC Economic Development Corp.	1,804,893	-
Other liabilities	2,384,524	2,382,739
Deferred revenue	(48,598)	(66,301)
Net cash provided by operating activities	\$ 17,269,111	\$ 4,238,786
 Supplemental disclosures of non cash activities:		
Unrealized loss on investments	\$ (346,175)	\$ (773,802)

*See accompanying notes.*

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

Notes to Financial Statements

June 30, 2011

**1. Background and Organization**

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

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

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

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

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

Notes to Financial Statements (continued)

**1. Background and Organization (continued)**

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

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

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

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

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

Notes to Financial Statements (continued)

**1. Background and Organization (continued)**

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

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

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

In its accounting and financial reporting, the IDA follows the pronouncements of the GASB. In addition, IDA follows only the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

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

**Cash Equivalents**

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

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

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Revenue and Expense Classification**

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

Other operating income represents administrative fees and penalties associated with the recapture of IDA benefits remitted by certain beneficiaries. Recaptured IDA benefits represent the difference between the full tax amount and the PILOT amount remitted by the beneficiaries and result from a beneficiary's violation of an IDA agreement covenant. Recaptured benefits are recorded net of amounts due to the City and recorded as other liabilities until such time as they are disbursed to the City. For the year ended June 30, 2011, \$10,674,668 was remitted to the City relating to these recapture benefits. IDA's operating expenses include management fees and other administrative expenses. All other revenues and expenses not described above are considered nonoperating.

**Debt Issuance Costs, Bond Discount and Other Bond Related Costs**

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

**Reclassifications**

Certain prior year amounts shown in the accompanying financial statements have been reclassified to conform to current year presentation.

**3. Cash and Investments**

**Cash**

At year end, IDA's bank balance was \$19,682,379. Of this amount, \$250,000 was covered by Federal Depository Insurance Corporation (FDIC) and \$19,432,379 was collateralized with securities held by the pledging financial institution in IDA's name.

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

Notes to Financial Statements (continued)

**3. Cash and Investments (continued)**

**Investments**

As of June 30, 2011 and 2010, the Agency had the following investments. Investments maturities are shown for June 30, 2011 only (in thousands).

	Fair Value		2011	
			Investment Maturities (In Years)	
	2011	2010	Less Than 1	1 to 5
U.S. Guaranteed Corporate Bonds	\$ -	\$ 25,704	\$ -	\$ -
Municipal Bonds	-	10,528	-	-
Money Market & Mutual Funds	<b>19,100</b>	-	<b>19,100</b>	-
Federal National Mort. Assn. Notes	<b>6,013</b>	-	<b>3,010</b>	<b>3,003</b>
Federal Home Loan Mort. Corp Notes	<b>1,074</b>	-	-	<b>1,074</b>
Certificates of Deposit	<b>821</b>	100	<b>580</b>	<b>241</b>
Federal Home Loan Bank Notes	<b>4,039</b>	2,200	<b>4,039</b>	-
Federal Farm Credit Bank Notes	-	464	-	-
Treasury Bills	<b>8,136</b>	-	<b>2,095</b>	<b>6,041</b>
Portfolio Manager for Stadiums (Restricted)	<b>86,825</b>	102,216	<b>20,862</b>	<b>65,963</b>
Total	<b>126,008</b>	141,212	<b>\$ 49,686</b>	<b>\$ 76,322</b>
Less investments classified as cash equivalents and restricted investments	<b>(103,927)</b>	(102,216)		
Total investments	<b>\$ 22,081</b>	\$ 38,996		

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

*Interest Rate Risk:* The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Notes to Financial Statements (continued)

**3. Cash and Investments (continued)**

*Credit Risk:* It is the Agency's policy to limit its investments in debt securities to obligations of the United States of America and its agencies, and obligations of the State of New York. As of June 30, 2011, the Agency's investments in Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Agency were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings. Money market and mutual funds are not rated.

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

The Agency manages custodial credit risk by limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the Agency.

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

Issuer	Dollar Amount and Percentage of Total Investments			
	June 30, 2011		June 30, 2010	
Federal National Mortgage Assn.	\$ 6,013	27.26%	\$ —	—
Federal Home Loan Bank	4,039	18.32%	2,200	5.64%
Morgan Stanley	—	—	15,152	38.86
General Electric	—	—	8,523	21.85
Metropolitan Transportation Authority	—	—	3,943	10.11
Binghamton NY School District	—	—	2,367	6.07
Poughkeepsie City NY	—	—	2,187	5.61
JP Morgan Chase	—	—	2,029	5.20

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Notes to Financial Statements (continued)

**3. Cash and Investments (continued)**

**Restricted Cash and Investments – Stadia Projects**

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

**4. Management Fees and Other Charges**

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

The fixed annual fee for these services is based on an agreement between EDC and the Agency. Such fees amounted to \$6,052,117 for the each of the years ended June 30, 2011 and 2010.

In addition, during the year ended June 30, 2011, contingency fees in the amount of \$1,863,194 were disbursed to EDC from recapture benefits collected.

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

**5. Deferred Revenues**

Deferred revenues consisted of the following:

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Compliance monitoring fees and other	<b>\$ 480,738</b>	<b>\$ 529,336</b>

**6. Bonds Payable**

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

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

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

**6. Bonds Payable (continued)**

Description	Bonds Outstanding June 30, 2009	New Bond Issuances	Matured/ Called/ Redeemed	Bonds Outstanding June 30, 2010	Amount Due Within One Year
Queens Baseball Stadium Project:					
Series 2006 PILOT Bonds, 3.6% to 5%, due 2046	\$ 547,355	\$ –	\$ 5,325	\$ 542,030	\$ 5,530
Series 2009 PILOT Bonds, 4.0% to 6.50%, due 2046	82,280	–	560	81,720	680
Yankee Stadium Project:					
Series 2006 PILOT Revenue Bonds, 3.6% to 5%, due 2046	744,435	–	19,905	724,530	11,195
Series 2006 CPI Bonds, 3.2% to 3.5%, due 2027	198,120	–	–	198,120	–
Series 2009 Capital Appreciation Bonds, 4.03% to 7.90%, due 2047	67,040	–	–	67,040	1,589
Series 2009 Current Interest Term Bonds, 7.00%, due 2049	191,960	–	–	191,960	–
Total	1,831,190	\$ –	\$ 25,790	1,805,400	\$ 18,994
Net premium (discount)	69,105			66,377	
Bonds payable, net	<u>\$ 1,900,295</u>			<u>\$ 1,871,777</u>	

**Queens Baseball Stadium Project**

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

At June 30, 2011 and 2010, \$536,500,000 and \$542,030,000, respectively, of the Series 2006 Bonds remained outstanding. The Series 2006 Bonds bear interest at fixed rates to the maturity thereof, payable semiannually each January 1 and July 1, commencing January 1, 2007.

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Notes to Financial Statements (continued)

**6. Bonds Payable (continued)**

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

At June 30, 2011 and 2010, \$81,040,000 and \$81,720,000, respectively, of the Series 2009 Bonds remained outstanding. The Series 2009 Bonds bear interest at fixed rates to the maturity thereof, payable semiannually each January 1 and July 1, commencing July 1, 2009.

**Yankee Stadium Project**

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

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Notes to Financial Statements (continued)

**6. Bonds Payable (continued)**

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

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

The CPI Bonds will pay interest to the bondholders on the first business day of each month beginning October 2, 2006 with funds provided by Goldman Sachs Capital Markets (GSCM) according to the Swap agreement between IDA and GSCM, dated August 16, 2006. Funds from the IDA capitalized interest account will be used to reimburse GSCM at the fixed swap interest rates every March 1 and September 1, beginning March 1, 2007. The average fixed swap interest rate for the years ended June 30, 2011 and 2010 was 4.07%. The average CPI Swap interest rates for the years ended June 30, 2011 and 2010 were 2.47% and 1.61%, respectively.

Interest on the Series 2006 PILOT bonds, excluding the CPI Bonds, are payable on March 1 and September 1, in each year, beginning March 1, 2007. At June 30, 2011 and 2010, \$911,455,000 and \$922,650,000, respectively, of the Series 2006 Revenue Bonds remained outstanding.

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

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Notes to Financial Statements (continued)

**6. Bonds Payable (continued)**

At June 30, 2011 and 2010, \$257,411,387 and \$258,999,945, respectively, of the Series 2009 Bonds remained outstanding. The Series 2009 Capital Appreciation Bonds accrete interest, payable only upon maturity or prior redemption. The Series 2009 Current Interest Term Bonds bear interest at a fixed rate of 7.0% to the maturity thereof, payable each September 1 and March 1, commencing September 1, 2009.

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

Year Ended June 30	Principal	Interest	Total
2012	\$ 20,273	\$ 102,586	\$ 122,859
2013	21,922	101,421	123,343
2014	23,478	100,113	123,591
2015	24,942	98,706	123,648
2016	25,228	97,449	122,677
2017 – 2021	139,015	463,532	602,547
2022 – 2026	161,889	419,688	581,577
2027 – 2031	197,758	367,196	564,954
2032 – 2036	250,910	302,239	553,149
2037 – 2041	319,832	224,598	544,430
2042 – 2046	408,912	127,834	536,746
2047 – 2049	192,247	23,776	216,023
Total	<u>\$ 1,786,406</u>	<u>\$ 2,429,138</u>	<u>\$ 4,215,544</u>

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Notes to Financial Statements (continued)

**6. Bonds Payable (continued)**

**Swap Payments and Associated Debt**

The table that follows represents debt service payments on the CPI Bonds, plus the net swap payments associated with those bonds, as of June 30, 2011. The below amounts are included in the above required debt payment table. Although interest rates on variable rate debt change over time, the calculations included in the table below are based on the assumption that the variable rate on June 30, 2011 remains constant over the life of the bonds (in thousands):

Year Ended June 30	CPI Bonds		Fixed Interest Rate Swaps, Net	Total
	Principal Maturities	CPI Interest		
2012	\$ —	\$ 7,882	\$ 219	\$ 8,101
2013	—	7,882	219	8,101
2014	—	7,882	219	8,101
2015	—	7,882	219	8,101
2016	13,135	7,882	219	21,236
2017 – 2021	73,965	31,358	978	106,301
2022 – 2026	90,545	15,401	550	106,496
2027	20,475	830	32	21,337
Total	\$ 198,120	\$ 86,999	\$ 2,655	\$ 287,774

**7. Derivative Instruments**

**Objectives of the Swaps**

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

The Agency adopted GASB 53 effective July 1, 2009. The impact of this adjustment was to report an interest rate swap derivative instrument liability and a corresponding “deferred outflow of resources” at June 30, 2011. The fair value of the derivative instrument liability and the corresponding deferred outflow of resources was \$6.7 million and \$19.8 million at June 30, 2011 and 2010, respectively.

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Notes to Financial Statements (continued)

**7. Derivative Instruments (continued)**

**Terms, Fair Values, and Credit Risk**

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

The following table displays the terms of the Agency’s hedging derivative instruments outstanding at June 30, 2011, along with the credit rating of the associated counterparty:

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

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

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Notes to Financial Statements (continued)

**7. Derivative Instruments (continued)**

The fair value balance and notional amounts of derivative instruments outstanding, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2011 financial statements are as follows (in thousands):

	Change in Fair Value		Fair Value at June 30, 2011		Notional Amount
	Classification	Amount	Classification	Amount	
<b>Cash flow hedges</b>					
Pay fixed swaps:					
nuus6085p	Deferred inflow of resources	\$ 510	Debt	\$ (446)	\$ 13,135
nuus6085q	Deferred inflow of resources	573	Debt	(483)	13,650
nuus6085r	Deferred inflow of resources	658	Debt	(492)	14,195
nuus6085s	Deferred inflow of resources	768	Debt	(501)	14,765
nuus6085t	Deferred inflow of resources	880	Debt	(507)	15,360
nuus6085u	Deferred inflow of resources	997	Debt	(521)	15,995
nuus6085v	Deferred inflow of resources	1,151	Debt	(513)	16,655
nuus6085w	Deferred inflow of resources	1,291	Debt	(528)	17,350
nuus6085x	Deferred inflow of resources	1,397	Debt	(590)	18,075
nuus6085y	Deferred inflow of resources	1,515	Debt	(649)	18,835
nuus6085z	Deferred inflow of resources	1,646	Debt	(683)	19,630
nuus6086	Deferred inflow of resources	1,789	Debt	(747)	20,475
		<u>\$ 13,175</u>		<u>\$ (6,660)</u>	

**Credit Risk**

The swap agreements contain collateral agreements with the counterparty. The counterparty only posts collateral if (i) the rating of The Goldman Sachs Group, Inc. falls to BBB+ or Baa1 or below from either of Moody's or S&P and (ii) the market value of the swap transactions covered by the credit support annex is in favor of the Agency in an amount that exceeds the threshold amount and the minimum transfer amount. Collateral that is posted can be cash, treasuries or agencies (FNMA, GNMA and FHLMC). This protects the Agency by mitigating the credit risk inherent in the swap. As of June 30, 2011, The Goldman Sachs Group Inc. is rated A1/A/A+. Additionally, the Agency is only obligated to pay as the counterparty to the extent of the receipt of PILOT revenues from Yankee Stadium LLC.

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Notes to Financial Statements (continued)

**7. Derivative Instruments (continued)**

**Basis Risk**

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

**Interest Rate Risk**

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

**Termination Risk**

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

**8. PILOT Lease Receivable, Net**

IDA has entered into various direct financing lease agreements with two commercial entities (Queens Ballpark Company, LLC and Yankee Stadium LLC) relating to the issuance of PILOT Bonds payable. The PILOT Bonds were used to finance the previously noted Stadium Projects. The lease agreements provide for basic rental payments by the tenants to IDA in an amount equal to the debt service on the bonds. Pursuant to the terms of the agreements, the debt service on these bonds are payable solely from scheduled rental payments, and IDA has no legal obligation to make any debt service payments on the bonds. Although variable interest rates will change over time, the calculations included in the tables below are based on the assumption that the variable rate on June 30, 2011 remains constant over the life of the leases.

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Notes to Financial Statements (continued)

**8. PILOT Lease Receivable, Net (continued)**

At June 30, 2011 and 2010, the outstanding leases and the receivable amount were as follows:

	<b>2011</b>	<b>2010</b>
Queens Stadium Project, through 2046	<b>\$ 1,323,032,394</b>	\$ 1,365,209,404
Yankee Baseball Stadium Project, through 2049	<b>2,719,389,496</b>	2,796,113,867
Aggregate lease receivable – gross	<b>4,042,421,890</b>	4,161,323,271
Less: deferred interest	<b>(2,336,755,351)</b>	(2,440,927,292)
Aggregate lease receivable – net	<b>\$ 1,705,666,539</b>	\$ 1,720,395,979

The aggregate lease receipts due through 2016 and thereafter are as follows:

	<b>Queens Stadium</b>	<b>Yankee Stadium</b>	<b>Total</b>
2012	\$ 43,800,000	\$ 75,923,612	\$ 119,723,612
2013	43,800,000	77,446,597	121,246,597
2014	43,800,000	78,995,950	122,795,950
2015	43,850,000	80,574,202	124,424,202
2016	43,900,000	82,186,202	126,086,202
2017 – 2021	219,750,000	397,314,735	617,064,735
2022 – 2026	220,500,000	321,180,802	541,680,802
2027 – 2031	221,500,000	321,170,395	542,670,395
2032 – 2036	222,850,000	321,181,797	544,031,797
2037 – 2041	224,700,000	321,177,729	545,877,729
2042 – 2047	205,550,000	321,180,336	526,730,336
2047 – 2049	22,500,000	223,706,247	246,206,247
	1,556,500,000	2,622,038,604	4,178,538,604
Less restricted cash and investments			(136,116,713)
			<b>\$ 4,042,421,890</b>

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Notes to Financial Statements (continued)

**8. PILOT Lease Receivable, Net (continued)**

Lease payment receivable activity for the years ended June 30, 2011 and 2010 was as follows:

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

  

	<b>Beginning Balance July 1, 2009</b>		<b>Additions</b>		<b>Reductions</b>	<b>Beginning Balance July 1, 2010</b>
Gross receivable	\$ 4,078,281,447	\$	190,803,140	\$	(107,761,316)	\$ 4,161,323,271
Less deferred interest	2,545,941,690		-		(105,014,398)	2,440,927,292
Net receivable	<u>\$ 1,532,339,757</u>	<u>\$</u>	<u>190,803,140</u>	<u>\$</u>	<u>(2,746,918)</u>	<u>\$ 1,720,395,979</u>

**9. Commitments and Contingencies**

Pursuant to various approved agreements between IDA and EDC, IDA was committed to fund 26 projects being performed by EDC related to the City's Commerce and Industrial Development (the Project Commitments). Total Project Commitments under these agreements amounted to approximately \$18.0 million with an outstanding obligation at June 30, 2011 of \$7.7 million. The Project Commitments, related approval dates, original and outstanding commitment balances are as follows:

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Notes to Financial Statements (continued)

**9. Commitments and Contingencies (continued)**

Project	Approval Date	Total Commitment	Total Expenditures	Current Total De-Obligate	Outstanding Commitment
Downtown Brooklyn Relocation Services	06/10/03	\$ 650,000	\$ 167,963	\$ –	\$ 482,037
Hunts Point Peninsula/Vision Plan	07/29/03	795,000	643,017	–	151,983
Hunts Point Produce Market	10/11/05	350,000	301,576	–	48,424
Pier 7-12 Development Policy	03/14/06	1,979,611	1,431,246	273,195	275,170
Downtown Far Rockaway Development Plan	05/09/06	150,000	129,888	–	20,112
Willetts Point Development Strategy	03/13/07	3,300,000	1,784,656	–	1,515,344
Staten Island West Shore Study – Land and Transportation	04/11/07	900,000	900,000	–	–
On Call Services Contract/Strategic Port Plan	09/11/07	1,200,000	1,135,907	512	63,581
Hunts Point Food Distribution Center, Development Feasibility Studies	12/11/07	700,000	208,635	–	491,365
Harlem Business Assistance Fund/UMEZ	05/13/08	1,000,000	–	–	1,000,000
Staten Island North Shore Study – Land and Transportation	05/13/08	700,000	605,443	–	94,557
NYC Media Scenario Series	01/16/09	500,000	360,000	140,000	–
Harbor District Ferry Service Feasibility and Branding Initiative	03/11/09	590,058	–	–	590,058
Harlem River Waterfront/Sherman Creek	07/28/09	300,000	279,521	–	20,479
Hunts Point Food Distribution	09/15/09	500,000	160,878	–	339,122
City-wide Ferry Service Feasibility Study	09/15/09	175,000	159,589	–	15,411
Teleport Planning Services	09/15/09	100,000	98,808	–	1,192
Hunts Point Freight Rail and Anaerobic Digestion Study	09/15/09	131,705	–	–	131,705
Industry NYC Survey	03/09/10	65,000	55,000	–	10,000
Industrial Subsector and Cost Comparison Analysis	05/11/10	300,000	300,000	–	–
Wage Study	06/08/10	1,000,000	964,254	–	35,746
JFK Air Cargo Study	12/14/10	250,000	–	–	250,000
Seward Park Development Project Engineering and Cost Analysis	12/14/10	500,000	203,808	–	296,192
Immigrant Entrepreneur Business Development Demonstration Program	04/12/11	200,000	–	–	200,000
Seward Park Mixed-Use Development Project	04/12/11	1,300,000	–	–	1,300,000
Water Street Feasibility Study	06/14/11	350,000	–	–	350,000
		<u>\$ 17,986,374</u>	<u>\$ 9,890,189</u>	<u>\$ 413,707</u>	<u>\$ 7,682,478</u>

For the years ended June 30, 2011 and 2010, \$2,443,888 and \$1,762,427, respectively, have been incurred by the IDA related to the above projects and are included in special project costs on the accompanying statements of revenue, expenses and changes in fund net assets. Of such amounts, \$1,349,469 and \$924,873 remained unpaid as of June 30, 2011 and 2010, respectively, and are included in Due to EDC on the accompanying balance sheets.

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

Notes to Financial Statements (continued)

**9. Commitments and Contingencies (continued)**

The Agency has entered into certain financing transactions in which it has committed to provide for the issuance of IDBs up to a specified maximum amount and over a specified number of years. During the years ended June 30, 2011 and 2010, IDA did not issue any IDBs. As of June 30, 2011, IDA has not committed to issue any additional IDBs to approved beneficiaries.

The total conduit debt obligations outstanding totaled \$8,765,110,370 and \$10,045,973,199 for the years ended June 30, 2011 and 2010, respectively.

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

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

- a. The New York State Department of Environmental Conservation (DEC) has notified IDA that DEC will most likely seek contribution from IDA in connection with the remediation of four sites in Brooklyn and Queens that are or were used by clients to which IDA has provided financial assistance. If IDA is found to have liability, IDA would be entitled to indemnification from these clients. However, IDA believes that the remediation costs will be substantial and would exceed the clients' ability to meet their indemnity obligations.
- b. If IDA is found to have liability in the case of two particular claims of serious personal injury brought by individuals employed at sites of IDA's clients or a number of personal injury claims brought by persons involved in the clean-up of IDA's clients' sites following 9/11, IDA's liability may exceed any available insurance and the financial resources of its clients who are obligated to indemnify the IDA.

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

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

**10. Risk Management**

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

## Supplemental Information

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

Combining Balance Sheets

	Unrestricted	Restricted		Total Restricted	Year Ended June 30	
		Queens Baseball Stadium Project	Yankee Baseball Stadium Project		2011	2010
<b>Assets</b>						
Current assets:						
Unrestricted cash and cash equivalents	\$ 34,424,672	\$ -	\$ -	\$ -	\$ 34,424,672	\$ 4,228,097
Unrestricted investments	9,328,191	-	-	-	9,328,191	36,613,294
Restricted cash	2,362,171	-	-	-	2,362,171	-
Restricted investments	2,382,739	-	-	-	2,382,739	2,382,739
Fees receivable, net of allowance for doubtful accounts of \$42,062 and \$91,718, respectively	298,546	-	-	-	298,546	198,347
PILOT lease receivable	-	6,495,000	13,777,771	20,272,771	20,272,771	18,993,558
<b>Total current assets</b>	<b>48,796,319</b>	<b>6,495,000</b>	<b>13,777,771</b>	<b>20,272,771</b>	<b>69,069,090</b>	<b>65,416,035</b>
Noncurrent assets:						
Unrestricted investments	10,370,178	-	-	-	10,370,178	-
Restricted cash – stadium projects	-	27,111,319	22,180,430	49,291,749	49,291,749	22,900,410
Restricted investments – stadium projects	-	-	86,824,964	86,824,964	86,824,964	102,216,131
PILOT lease receivable	-	592,948,252	1,092,445,516	1,685,393,768	1,685,393,768	1,701,402,421
Deferred bond issuance costs	-	22,551,128	56,632,909	79,184,037	79,184,037	82,601,213
Deferred outflow of resources	-	-	6,659,968	6,659,968	6,659,968	19,835,517
<b>Total noncurrent assets</b>	<b>10,370,178</b>	<b>642,610,699</b>	<b>1,264,743,787</b>	<b>1,907,354,486</b>	<b>1,917,724,664</b>	<b>1,928,955,692</b>
<b>Total assets</b>	<b>\$ 59,166,497</b>	<b>\$ 649,105,699</b>	<b>\$ 1,278,521,558</b>	<b>\$ 1,927,627,257</b>	<b>\$ 1,986,793,754</b>	<b>\$ 1,991,371,727</b>
<b>Liabilities and net assets</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 61,313	\$ -	\$ -	\$ -	\$ 61,313	\$ 67,467
Due to New York City Economic Development Corporation	3,219,124	-	-	-	3,219,124	945,083
Bonds payable – current	-	6,495,000	13,777,771	20,272,771	20,272,771	18,993,558
Interest payable on bonds	-	15,758,240	55,132,807	70,891,047	70,891,047	56,336,463
Deferred revenue	480,738	-	-	-	480,738	529,336
Other liabilities	4,767,263	-	-	-	4,767,263	2,382,739
<b>Total current liabilities</b>	<b>8,528,438</b>	<b>22,253,240</b>	<b>68,910,578</b>	<b>91,163,818</b>	<b>99,692,256</b>	<b>79,254,646</b>
Noncurrent liabilities:						
Bonds payable, net	-	626,852,459	1,202,951,012	1,829,803,471	1,829,803,471	1,852,783,712
Derivative instruments – interest rate swap	-	-	6,659,968	6,659,968	6,659,968	19,835,517
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>626,852,459</b>	<b>1,209,610,980</b>	<b>1,836,463,439</b>	<b>1,836,463,439</b>	<b>1,872,619,229</b>
<b>Total liabilities</b>	<b>8,528,438</b>	<b>649,105,699</b>	<b>1,278,521,558</b>	<b>1,927,627,257</b>	<b>1,936,155,695</b>	<b>1,951,873,875</b>
Net assets:						
Unrestricted	50,638,059	-	-	-	50,638,059	39,497,852
<b>Total net assets</b>	<b>50,638,059</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,638,059</b>	<b>39,497,852</b>
<b>Total liabilities and net assets</b>	<b>\$ 59,166,497</b>	<b>\$ 649,105,699</b>	<b>\$ 1,278,521,558</b>	<b>\$ 1,927,627,257</b>	<b>\$ 1,986,793,754</b>	<b>\$ 1,991,371,727</b>

Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of the  
Financial Statements Performed in Accordance  
with *Government Auditing Standards*

The Board of Directors  
New York City Industrial Development Agency

We have audited the balance sheet of New York City Industrial Development Agency (the Agency), a component unit of the City of New York, and the related statements of revenues, expenses and changes in fund net assets and cash flows as of June 30, 2011 and for the year then ended, and have issued our report thereon dated September 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as Finding 2011-01, to be a significant deficiency in internal control over financial reporting. 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.

### **Compliance and Other Matters**

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

The Agency's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Agency's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, Board of Directors, others within the entity and the City of New York and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

September 20, 2011

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

Schedule of Findings and Responses

Year Ended June 30, 2011

**Financial Statement Finding**

**Finding 2011-01 Policies and Procedures**

Criteria

A comprehensive policies and procedures manual serves certain basic organizational needs, especially in situations where significant turnover is experienced.

These needs include:

Operational needs – Policies and procedures ensure that fundamental organizational processes are performed in a consistent way that meets the organization’s needs.

Risk management – Established policies and procedures are an important control activity in helping an organization manage risk.

Continuous improvement – Documented procedures improve processes as they help to build important internal communication practices.

Compliance – Well defined and documented processes and procedures along with the associated records that demonstrate process capability can foster effective internal control system compliance with regulations and standards.

Condition:

We noted that the Accounting Department does not maintain a comprehensive policies and procedures manual. Although the Department does have various written policies and procedures for handling the routine transactions that occur during the year, there is no all-inclusive manual to facilitate the timely recording of transactions, particularly for non-routine or unusual transactions.

Effect:

Due to significant turnover experienced by the Department during the year, certain significant transactions were not recorded on a timely basis due to a lack of familiarity with appropriate procedures for handling large or unusual transactions.

New York City Industrial Development Agency  
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Schedule of Findings and Responses (continued)

Year Ended June 30, 2011

**Financial Statement Finding**

**Finding 2011-01 Policies and Procedures (continued)**

Cause:

The Agency's current policies and procedures manual is outdated and focuses primarily on routine transactions. Policies and procedures for handling most non-routine transactions are not currently addressed.

Recommendation:

We recommend that management develop a comprehensive policies and procedures manual to assist the Accounting Department in fulfilling its corporate responsibilities in a timely manner.

View of Responsible Officials and Planned Corrective Action:

The Agency agrees with the audit recommendation. The Agency acknowledges the importance of documented policies and procedures in demonstrating sound internal controls. The Accounting Department has an extensive policies and procedures manual, but we agree it has not been contemporized for current and non-standard procedures.

Management is in the process of procuring an external and independent consultant that will assist in the creation of a revised and updated Policies and Procedures manual for all financial reporting matters. This will include comprehensive instruction on accounting procedures under the current accounting system, as well as updates to all non-routine transactions. Such updates will concentrate on specific types of transactions unique to the Agency.

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