New York City Economic Development Corporation

(a component unit of the City of New York)

Schedule of Investments

Years Ended June 30, 2017 and 2016
With Report of Independent Auditors

NYCEDC
New York City Economic Development Corporation

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(A Component Unit of the City of New York)

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Years Ended June 30, 2017 and 2016

Contents

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Building a better working world

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Investments 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 Schedule of Investments of the New York City Economic Development Corporation ("NYCEDC"), a component unit of The City of New York, as of June 30, 2017, and the related notes to the Schedule of Investments, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule of Investments, we considered NYCEDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Investments, 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 Schedule of Investments 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYCEDC's Schedule of Investments are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and investment policies established by NYCEDC and the New York State Comptroller investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the determination of Schedule of Investments amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Ernst & Young LLP

September 29, 2017

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

Schedule of Investments

(In Thousands of Dollars)

	June 30	
	2017	**2016**
Operating	**$ 244,118**	$ 227,418
Restricted	**147,599**	126,315
Total investments	**$ 391,717**	$ 353,733

The accompanying notes are an integral part of this schedule.

1. Background and Organization

The accompanying schedule of investments includes the investments of the New York City Economic Development Corporation (“NYCEDC” or the “Corporation”).

New York City Economic Development Corporation is a not-for-profit corporation organized under the New York State (“State”) Not-for-Profit Corporation Law (the “NPCL”) that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (“IRC”). NYCEDC’s primary activities consist of rendering a variety of services and administering certain economic development programs on behalf of The City of New York (“The City”) relating to 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 provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein. These services are generally provided through two contracts with The City: the NYCEDC Master Contract and the NYCEDC Maritime Contract. These contracts and other related agreements with The City are herein referred to as the Contract Services.

2. Summary of Significant Accounting Policies

Investments

Investments held by NYCEDC are recorded at fair value.

3. 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.

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; Level 3 inputs are significant unobservable inputs.

3. Investments (continued)

Money market funds, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. US Agencies securities, categorized as Level 2, are valued based on models using observable inputs. Certificates of deposit are valued at cost.

At June 30, 2017 and 2016, NYCEDC had the following investments. Investment maturities are shown for June 30, 2017 only (dollars in thousands):

	Fair Value		**Investment Maturities at June 30, 2017 in Years**	
	2017	**2016**	**Less than 1**	**1 to 7**
Money market funds	**$ 150,245**	$ 129,762	$ 150,245	$ –
Money market deposit account	**5,251**	5,250	5,251	–
FHLB notes	**51,680**	67,807	26,886	24,794
FHLMC notes	**131,609**	106,141	58,916	72,693
Commercial paper	**22,637**	–	22,637	–
FFCB notes	**4,487**	26,389	–	4,487
FNMA notes	**25,609**	18,184	997	24,612
Certificates of deposit	**200**	200	200	–
	391,718	353,733	$ 265,132	$ 126,586
Less amount classified as cash equivalents	**(155,496)**	(135,013)		
Total investments	**$ 236,222**	$ 218,720		

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

Credit Risk – It is the Corporation's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the U.S. government or issued by its agencies.

As of June 30, 2017, the Corporation's investments in Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) and the Federal Home Loan Mortgage Corporation (FHLMC) were rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch Ratings.

3. Investments (continued)

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.

The Corporation manages custodial credit risk by limiting possession of its investments to highly rated institutions and/or requiring that high-quality collateral be held by the counterparty in the name of the Corporation. At June 30, 2017, the Corporation was not subject to custodial credit risk.

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

	Dollar Amount and Percentage of Total Investments			
Issuer	**June 30, 2017**		**June 30, 2016**	
Federal Home Loan Mortgage Corp.	$ 131,609	55.71%	$ 106,141	48.53%
Federal Home Loan Bank	51,680	21.88	67,807	31.00
Federal Farm Credit Bank	–	–	26,389	12.07
Federal National Mort. Assoc.	25,609	10.84	18,184	8.31

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