



FINANCIAL STATEMENTS

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

Financial Statements

Years Ended June 30, 2011 and 2010

**Contents**

Report of Independent Auditors.....	1
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 .....	3
Management’s Discussion and Analysis .....	5
Financial Statements	
Balance Sheets .....	8
Statements of Revenues, Expenses and Changes in Fund Net Assets.....	9
Statements of Cash Flows .....	10
Notes to Financial Statements.....	11

## Report of Independent Auditors

The Board of Directors  
New York City Capital Resource Corporation

We have audited the balance sheets of New York City Capital Resource Corporation (the Corporation), a component unit of The City of New York, as of June 30, 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 Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York City Capital Resource Corporation as of June 30, 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.

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

Management's discussion and analysis 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.

*Ernst + Young LLP*

September 20, 2011

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

The Board of Directors  
New York City Capital Resource Corporation

We have audited the balance sheet of New York City Capital Resource Corporation (the Corporation), a component unit of The City of New York, and the related statements of revenues, expenses, and changes in fund net assets and cash flows as of and for the year ended June 30, 2011 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 Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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

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

## Compliance and Other Matters

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

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

*Ernst + Young LLP*

September 20, 2011

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

Management's Discussion and Analysis

June 30, 2011

This section of the New York City Capital Resource Corporation (CRC or the Corporation) annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2011, 2010 and 2009. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

**2011 Financial Highlights**

- Cash and cash equivalents increased \$336,962 (or 96%)
- Current liabilities decreased \$6,427 (or 28%)
- Unrestricted net assets increased \$343,389 (or 104%)
- Operating revenues increased \$451,880 (or 6,695%)
- Operating expenses decreased \$19,781 (or 15%)

**Overview of the Financial Statements**

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

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

## Financial Analysis of the Corporation

**Net Assets** – The following table summarizes the Corporation’s financial position at June 30, 2011, 2010 and 2009 and the percentage changes between June 30, 2011, 2010 and 2009:

	% Change				
	2011	2010	2009	2011 – 2010	2010 – 2009
Current assets	\$ 689,887	\$ 352,925	\$ 478,391	95%	(26)%
Current liabilities	16,408	22,835	20,158	(28)	13
Total unrestricted net assets	\$ 673,479	\$ 330,090	\$ 458,233	104	(28)

The Corporation’s net assets increased \$343,389 (or 104%) in fiscal year 2011 as a result of four new bond closings and decreased \$128,143 (or 28%) in fiscal year 2010 as a result of no new bond closings.

## Operating Activities

The Corporation served as the City’s conduit bond issuer for tax-exempt Recovery Zone Facility Bonds (“RZFB”), a type of private activity revenue bonds authorized under the American Recovery and Reinvestment Act of 2009 (the “Act”) to spur stalled construction activities that had been unable to get conventional construction financing due to the persistent dearth of lending activities. For the fiscal year ended on June 30, 2011, the Corporation closed four RZFB projects. The authority to issue RZFB through the Act expired on December 31, 2010.

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

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

The following table summarizes CRC’s change in net assets for the fiscal years ended June 30, 2011, 2010 and 2009 and the percentage changes between fiscal years:

	% Change				
	2011	2010	2009	2011 – 2010	2010 – 2009
Operating revenues	\$ 458,630	\$ 6,750	\$ 4,200	6,695%	61%
Operating expenses	115,400	135,181	98,029	(15)	38
Operating income (loss)	343,230	(128,431)	(93,829)	367	(37)
Nonoperating revenues	159	288	5,636	(45)	(95)
Change in net assets	\$ 343,389	\$ (128,143)	\$ (88,193)	368	(45)

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

### **Prior Year**

In fiscal year 2010, CRC closed no transactions. Operating revenues consisted of compliance fees of \$4,250 and post closing fees of \$2,500.

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

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

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

Balance Sheets

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Current assets</b>		
Cash and cash equivalents ( <i>Notes 2 and 3</i> )	\$ 688,437	\$ 351,475
Fees receivable	1,450	1,450
Total current assets	<u>\$ 689,887</u>	<u>\$ 352,925</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 14,000	\$ 20,677
Deferred revenue	2,408	2,158
Total current liabilities	<u>16,408</u>	<u>22,835</u>
Unrestricted net assets	<u>673,479</u>	330,090
	<u>\$ 689,887</u>	<u>\$ 352,925</u>

*See accompanying notes.*

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

Statements of Revenues, Expenses and Changes in Fund Net Assets

	<b>Year Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Operating revenues:		
Fee income ( <i>Note 2</i> )	<b>\$ 458,630</b>	<b>\$ 6,750</b>
Total operating revenues	<b>458,630</b>	<b>6,750</b>
Operating expenses:		
Management fees ( <i>Note 4</i> )	<b>80,000</b>	80,000
Auditing fees	<b>17,000</b>	16,500
Marketing fees	<b>7,450</b>	–
Public hearing expenses	<b>10,950</b>	38,681
Total operating expenses	<b>115,400</b>	<b>135,181</b>
Operating income (loss)	<b>343,230</b>	<b>(128,431)</b>
Nonoperating revenues:		
Investment income	<b>159</b>	288
Total nonoperating revenues	<b>159</b>	<b>288</b>
Increase (decrease) in net assets	<b>343,389</b>	<b>(128,143)</b>
Unrestricted net assets, beginning of year	<b>330,090</b>	458,233
Unrestricted net assets, end of year	<b>\$ 673,479</b>	<b>\$ 330,090</b>

*See accompanying notes.*

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

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	\$ 458,880	\$ 7,600
Management fees paid	(80,000)	(80,000)
Auditing fees paid	(19,500)	(16,000)
Public hearing fees paid	(15,127)	(34,504)
Marketing fees paid	(7,450)	(1,750)
Net cash provided by (used in) operating activities	336,803	(124,654)
<b>Cash flows from investing activities</b>		
Investment income	159	288
Net cash provided by investing activities	159	288
Net increase (decrease) in cash and cash equivalents	336,962	(124,366)
Cash and cash equivalents at beginning of year	351,475	475,841
Cash and cash equivalents at end of year	\$ 688,437	\$ 351,475
<b>Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities</b>		
Operating gain (loss)	\$ 343,230	\$ (128,431)
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Fees receivable	–	1,100
Accounts payable and accrued expenses	(6,677)	4,677
Due to New York City Economic Development Corp.	–	(1,750)
Deferred revenue	250	(250)
Net cash provided by (used in) operating activities	\$ 336,803	\$ (124,654)

*See accompanying notes.*

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

Notes to Financial Statements

June 30, 2011

**1. Background and Organization**

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

The Corporation served as the City's conduit bond issuer for tax-exempt Recovery Zone Facility Bonds ("RZFB"), a type of private activity revenue bonds authorized under the American Recovery and Reinvestment Act of 2009 (the "Act") to spur stalled construction activities that had been unable to get conventional construction financing due to the persistent dearth of lending activities. For the fiscal year ended on June 30, 2011 the Corporation closed four RZFB projects. The ability to issue RZFB through the Act expired on December 31, 2010.

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

The Corporation closed four RZFB projects for the fiscal year ended June 30, 2011 while the Corporation did not issue any bonds in the fiscal year ended June 30, 2010. As of June 30, 2011, the Corporation has not committed to issuing any additional RZFB or LEAP Bonds.

Bonds issued by CRC are special nonrecourse conduit debt obligations of the Corporation which are payable solely from the payments and revenues provided for in the loan agreement with the Beneficiaries. The bonds are secured by a collateral interest in the loan agreement and other security provided by the borrower, which may include a letter of credit. Both the bonds and certain provisions of the loan agreement are administered by an independent bond trustee appointed by the Corporation.

New York City Capital Resource Corporation  
(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 bonds are nonrecourse conduit debt obligations to the Corporation, (2) the Corporation assigns its interest in the loan agreement as collateral and (3) since the Corporation has no substantive obligations under the loan agreement (other than to convey back the project property at the end of the bond term, and to issue Bonds in those projects where subsequent issuance is contemplated), the Corporation has, in effect, none of the risks and rewards of the loan agreement and related bond 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.

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

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

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

In its accounting and financial reporting, CRC follows the pronouncements of the GASB. In addition, CRC 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.

**Cash and Cash Equivalents**

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

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

Notes to Financial Statements (continued)

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

**Revenue Recognition**

Operating revenues consist of income from application fees, financing fees and compliance monitoring fees. Application and financing fees are recognized as earned. Compliance monitoring fees are received annually in advance and deferred and amortized into income as earned. CRC's operating expenses include management fees and related administration expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**3. Cash and Cash Equivalents**

At year-end, CRC's bank balance was \$688,437. Of this amount, \$50,000 was covered by Federal Depository Insurance Corporation and \$500,000 by Securities Investor Protection Corporation.

**4. Management Fee**

To support the activities of the Board of Directors, the Corporation annually enters into a contract with the New York City Economic Development Corporation (EDC), a not-for-profit local development corporation and a component unit of The City of New York, organized to administer government financing programs which foster business expansion in the City. Under the terms set forth in the contract, EDC provides CRC with all the professional, clerical and technical assistance it needs to accomplish its objectives. These services include comprehensive financial analyses, processing and presentation of projects to the Board of Directors, and project compliance monitoring. The fixed annual fee for these services under the agreement between EDC and the Corporation amounted to \$80,000 for the years ended June 30, 2011 and 2010.

**5. Risk Management**

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

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

**About Ernst & Young**

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 141,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit [www.ey.com](http://www.ey.com)

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.

