

NEW YORK EMPOWERMENT
ZONE CORPORATION

(A Subsidiary of New York State
Urban Development Corporation)

Financial Statements and
Independent Auditors' Report

June 30, 2010 and 2009

NEW YORK EMPOWERMENT ZONE CORPORATION

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
New York Empowerment Zone Corporation:

We have audited the accompanying balance sheets of New York Empowerment Zone Corporation (the "Corporation"), a subsidiary of New York State Urban Development Corporation, as of June 30, 2010 and 2009, and the related statements of revenue, expenses and changes in 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 of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 Empowerment Zone Corporation as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2010 on our consideration of New York Empowerment Zone Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 as presented on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standard Board ("GASB"). We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Toski, Schaefer & Co, P.C.

Williamsville, New York
August 16, 2010

NEW YORK EMPOWERMENT ZONE CORPORATION

Management's Discussion and Analysis

June 30, 2010 and 2009

This annual report includes management's discussion and analysis, the independent auditors' report and the financial statements of New York Empowerment Zone Corporation ("NYEZC" or the "Corporation"). The financial statements include notes that explain in more detail some of the information in the annual report. Readers should consider management's discussion and analysis in conjunction with the financial statements as a whole.

OVERVIEW

The financial statements of NYEZC report information using accounting methods similar to those used by private sector companies. These statements offer financial information about NYEZC's financial activities and may be summarized as follows:

The Statements of Net Assets presents the financial position of the Corporation at the end of each period presented. It includes all of the Corporation's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligation to NYEZC creditors (liabilities). It also provides the basis for evaluating the net asset structure of the Corporation and assessing its liquidity and financial flexibility.

The Statements of Revenue, Expenses and Changes in Net Assets accounts for all of the period revenue and expenses. This statement measures the success of the Corporation over all periods presented and can be used to determine how NYEZC has managed expenses with limited revenue.

The Statements of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations and investing activities and provides information related to sources and uses of cash. The statement also reflects the change in NYEZC's cash position during the periods presented.

The Federal Empowerment Zones program nationwide was originally scheduled to expire on December 31, 2007. The Community Renewal Tax Relief Act of 2000 established the Renewal Community Initiative, New Markets Tax Credit, and extended the designation of Federal Empowerment Zones through December 31, 2009.

During fiscal 2010 and 2009, the New York Empowerment Zone Corporation continued its mission to oversee the activities of the Federally-designated Empowerment Zone (EZ). NYEZC provides final funding approval for EZ projects generated by the Upper Manhattan Empowerment Zone Development Corporation (UMEZ) and the Bronx Overall Economic Development Corporation (BOEDC) (jointly, LDC's). The Corporation's responsibilities include project approval, receipt and disbursement of funds, program monitoring and reporting.

NEW YORK EMPOWERMENT ZONE CORPORATION

Management's Discussion and Analysis, Continued

In June 2004, the NYEYC Board of Directors authorized the guidelines for the extension of the memorandum of understanding which continues the oversight of the program after the designated period is concluded.

In fiscal 2010, the Corporation's board of directors authorized \$54.8 million in funding consisting of \$4.4 million for 7 specific projects, compared to \$6,343,615 for 13 projects in fiscal 2009. In addition, a pool of \$50.4 million was earmarked to three major areas of economic growth, they are as follows: Business Investments, Work Force Development II and Cultural Industry Investment Fund II. The individual projects approved for EZ funding included Best Yet Market of Harlem, E-Z Loan Fund Recapitalization, New York Women's Chamber of Commerce, Harlem Business Alliance, BRISC, and the Raices Latin Music Collection and Museum.

Summarized statements of NYEYC's assets, liabilities and net assets at June 30, 2010 and 2009 is as follows:

Condensed Balance Sheets at June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets	\$ 47,043,422	19,410,689
Liabilities	46,712,440	19,079,707
Net assets - restricted	<u>330,982</u>	<u>330,982</u>
Total liabilities and net assets	<u>\$ 47,043,422</u>	<u>19,410,689</u>

Summarized statements of NYEYC's revenue, expenses and changes in net assets for the years ended June 30, 2010 and 2009 is as follows:

Condensed Statements of Revenue and Expenses and
Changes in Net Assets for the years end June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenue	\$ 31,505,445	12,585,733
Operating expenses	(31,505,445)	(12,585,733)
Operating income	-	-
Non-operating expenses	-	-
Excess of revenue over expenses	-	-
Net assets - restricted at beginning of year	<u>330,982</u>	<u>330,982</u>
Net assets - restricted at end of year	<u>\$ 330,982</u>	<u>330,982</u>

There was no excess of revenue over expenses for the years ended June 30, 2010 and 2009.

NEW YORK EMPOWERMENT ZONE CORPORATION
Management's Discussion and Analysis, Continued

LIQUIDITY

The Corporation's cash and equivalents totaled approximately \$0.52 million and \$0.81 million at June 30, 2010 and 2009, respectively. There was a net decrease in cash of \$0.29 million at June 30, 2010 and a net increase in cash of \$0.29 million at June 30, 2009.

During fiscal 2010, cash receipts exceeded cash paid out to the LDC's exclusive of invested State and City funds from granting governments by approximately \$12.5 million and in fiscal 2009 cash paid out exceeded receipts by \$6.2 million. In fiscal 2010, there was a net decrease of approximately \$19.2 million in proceeds from the sale of investments in comparison to 2009.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the New York Empowerment Zone Corporation's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial Officer, New York Empowerment Zone Corporation, 633 Third Avenue, New York, New York 10017.

2017-2018

The financial statements of the Corporation for the year ended 31st March 2018 are set out on pages 10 to 15. The financial statements have been audited by the auditors, Messrs. [Name of Auditors], Chartered Accountants, who have issued their audit report on pages 16 to 17.

The financial statements are prepared in accordance with the Companies Act, 2013 and the Companies (Accounts) Regulations, 2014. The financial statements are prepared on a going concern basis. The financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies Act, 2013. The financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies Act, 2013.

FINANCIAL STATEMENTS

Statement of Profit and Loss

The financial statements are prepared in accordance with the Companies Act, 2013 and the Companies (Accounts) Regulations, 2014. The financial statements are prepared on a going concern basis. The financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies Act, 2013. The financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies Act, 2013.

NEW YORK EMPOWERMENT ZONE CORPORATION
 Balance Sheets
 June 30, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and equivalents	\$ 515,197	805,649
Investment securities, at fair value	23,561,924	10,774,299
Other receivables	<u>22,966,301</u>	<u>7,830,741</u>
Total assets	<u>\$ 47,043,422</u>	<u>19,410,689</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	22,871,012	1,235,352
Due to New York State Urban Development Corporation	93,764	310,360
Due to granting governments	<u>23,747,664</u>	<u>17,533,995</u>
Total liabilities	46,712,440	19,079,707
Net assets - restricted	<u>330,982</u>	<u>330,982</u>
Total liabilities and net assets	<u>\$ 47,043,422</u>	<u>19,410,689</u>

See accompanying notes to financial statements.

NEW YORK EMPOWERMENT ZONE CORPORATION
 Statements of Revenue, Expenses and Changes in Net Assets
 Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenue:		
Grants:		
Federal	\$ 25,434,448	4,023,609
State of New York	3,024,835	4,538,516
City of New York	<u>3,046,162</u>	<u>4,023,608</u>
Total operating revenue	<u>31,505,445</u>	<u>12,585,733</u>
Operating expenses:		
Grants to local development corporations:		
Upper Manhattan Empowerment Zone Development Corporation	29,246,667	10,133,291
Bronx Overall Economic Development Corporation	<u>1,676,150</u>	<u>2,096,231</u>
	30,922,817	12,229,522
Management and general expenses	<u>582,628</u>	<u>356,211</u>
Total operating expenses	<u>31,505,445</u>	<u>12,585,733</u>
Operating income	-	-
Net assets - restricted at beginning of year	<u>330,982</u>	<u>330,982</u>
Net assets - restricted at end of year	<u>\$ 330,982</u>	<u>330,982</u>

See accompanying notes to financial statements.

NEW YORK EMPOWERMENT ZONE CORPORATION
 Statements of Cash Flows
 Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash receipts from granting governments and reimbursements	\$ 22,366,958	6,893,445
Cash paid for grants to local development corporations	(9,287,157)	(12,687,417)
Cash paid for management and general expenses	<u>(582,628)</u>	<u>(356,211)</u>
Net cash provided by (used in) operating activities	12,497,173	(6,150,183)
Cash flows from investing activities - proceeds from sale of investments, net	<u>(12,787,625)</u>	<u>6,439,282</u>
Net increase (decrease) in cash and equivalents	(290,452)	289,099
Cash and equivalents at beginning of year	<u>805,649</u>	<u>516,550</u>
Cash and equivalents at end of year	<u>\$ 515,197</u>	<u>805,649</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	-	-
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Changes in:		
Other receivables	(15,135,560)	(7,304,005)
Accounts payable and accrued expenses	21,635,660	(457,895)
Due to New York State Urban Development Corporation	(216,596)	(40,191)
Due to granting governments	<u>6,213,669</u>	<u>1,651,908</u>
Net cash provided by (used in) operating activities	<u>\$ 12,497,173</u>	<u>(6,150,183)</u>

See accompanying notes to financial statements.

NEW YORK EMPOWERMENT ZONE CORPORATION

Notes to Financial Statements

June 30, 2010 and 2009

Note 1 - Corporate Background and Activities

(a) Background

The New York Empowerment Zone Corporation (the "Corporation") was incorporated on June 6, 1996 as a subsidiary of New York State Urban Development Corporation ("UDC"), as authorized by Section 12 of the New York State Urban Development Corporation Act. UDC is a corporate governmental agency of the State of New York constituting a political subdivision and a public benefit corporation.

The Corporation is reported as a subsidiary in UDC's consolidated financial statements. Both UDC and the Corporation have been determined to be component units of the State of New York and are included in New York State's financial statements as component units for statewide financial reporting purposes.

(b) Activities

The Corporation's role is to administer a memorandum of understanding among the U.S. Department of Housing and Urban Development ("HUD"), the State of New York (the "State") and the City of New York (the "City"), which provides for grants from all three parties (together, the granting governments) to approved projects within the New York Empowerment Zone. The grants are restricted for economic development and community revitalization, and are expected to total approximately \$300 million over a ten-year period through 2007. The Community Renewal Tax Relief Act of 2000 extended the designation of Federal Empowerment Zones through December 31, 2009. Currently, there are only two local development corporations (Upper Manhattan Empowerment Zone Development Corporation and Bronx Overall Economic Development Corporation) that have been approved by the Corporation's board to undertake projects which qualify for funding from the Corporation.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Accounting

The Corporation acts on behalf of the granting governments and follows the accrual basis of accounting under which revenues are recognized in the accounting period when they become both measurable and available and expenditures are recognized in the accounting period in which the liability is incurred.

(b) Revenue Recognition

The granting governments periodically deposit program funds with UDC, which in turn, advances funds to the Corporation to provide necessary working capital, and to cover the Corporation's administrative costs and all approved project costs as they are incurred. Grant funds received and held awaiting requisition for specific projects are reported as a liability to granting governments, and are not recognized as revenue until expended on approved projects.

NEW YORK EMPOWERMENT ZONE CORPORATION
Notes to Financial Statements, Continued

Note 2 - Summary of Significant Accounting Policies, Continued

(c) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(d) Cash and Equivalents

The Corporation considers all money market instruments with a maturity when acquired of 90 days or less to be cash equivalents. At June 30, 2010 and 2009, all of the Corporation's bank balances were fully collateralized.

(e) Expenditures

The Corporation's staff consists of a secretary/administrator which may be one or two persons, the cost of which is allocated among the Federal, State and City funds. In addition, an annual operational cost of \$135,000 incurred by UDC staff is reimbursed from the State's annual grant of funds. The City also has the option of withholding up to \$135,000 annually from its grant for its related operational costs. The City exercised this option, withholding \$135,000 for City staff salaries during the years ended June 30, 2010 and 2009.

(f) Investment Securities

The Corporation carries its investment securities at fair value, which approximates cost plus accrued interest earnings.

(g) Subsequent Events

The Corporation has evaluated events after June 30, 2010, and through August 16, 2010, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

Note 3 - Investment Securities

Financial Instruments

Authorization for investment in marketable securities is governed by written internal guidelines, statutes, State guidelines, and bond resolutions. Permitted investments include:

- Obligations of the United States Treasury, agencies and instrumentalities;
- Direct obligations of the State of New York, its political subdivisions and public authorities;
- Collateralized investments, which are fully secured as to principal by U.S. Treasury securities and obligations of the U.S. Government, with financial institutions which meet specified criteria;

NEW YORK EMPOWERMENT ZONE CORPORATION

Notes to Financial Statements, Continued

Note 3 - Investment Securities, Continued

- Repurchase agreements with financial institutions doing business in New York State which are listed as primary government securities dealers by New York's Federal Reserve Bank, and which are collateralized by U.S. Government securities; and
- Commercial paper issued by domestic banks, corporations and financial companies rated "A-I" or "P-I" by Standard & Poor's Corporation or Moody's Investors Service, Inc.

At June 30, 2010 and 2009, investment securities were comprised of the following:

	2010		
	Cost	Fair value	Unrealized gain
U.S. Government and Federal Agency obligations	\$ 16,504,911	16,508,406	3,495
Repurchase agreements	5,053,518	5,053,518	-
Commercial paper	2,000,000	2,000,000	-
Total	<u>\$ 23,558,429</u>	<u>23,561,924</u>	<u>3,495</u>

	2009		
	Cost	Fair value	Unrealized gain
U.S. Government and Federal Agency obligations	\$ 9,993,061	9,995,780	2,719
Repurchase agreements	778,519	778,519	-
Total	<u>\$ 10,771,580</u>	<u>10,774,299</u>	<u>2,719</u>

Fair Value Measurements

The Financial Accounting Standards Board established a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 are assets and liabilities whose inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access. The Corporation holds investment securities with a quoted price in active markets for identical assets (level 1) of \$23,561,924 and \$10,774,299 at June 30, 2010 and 2009, respectively.

NEW YORK EMPOWERMENT ZONE CORPORATION

Notes to Financial Statements, Continued

Note 4 - Investment Income Reimbursement

During fiscal 2003, the Corporation and the City of New York agreed that investment income earned on the investment securities that the Corporation owns, should be reimbursed to the City of New York. Investment earnings amounted to \$115,732 and \$303,295 for the years ended June 30, 2010 and 2009, respectively, and was credited directly to due to granting governments.

Note 5 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions," enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. The requirements of the statement are effective for periods beginning after June 15, 2010, which is the fiscal year beginning July 1, 2010 for the Corporation. Management has not yet determined the effect that this statement will have on the future financial statements of the Corporation.

GASB Statement No. 57 - "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," amends GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," to allow agent employers that have individual employer OPEB plans, with less than 100 plan members to use the alternate measurement method, regardless of the total number of plan members in the multiple-employer OPEB plan in which it participates. The requirements of this statement are effective for periods beginning after June 15, 2011, which is the fiscal year beginning July 1, 2011 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE, INCLUDING COMPLIANCE
WITH INVESTMENT GUIDELINES, AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Board of Directors
New York Empowerment Zone Corporation:

We have audited the financial statements of New York Empowerment Zone Corporation (the "Corporation"), a subsidiary of New York State Urban Development Corporation, as of and for the year ended June 30, 2010, and have issued our report thereon dated August 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Investment Guidelines for Public Authorities issued by the New York State Office of the State Comptroller.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting 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, grant agreements, including Investment Guidelines for Public Authorities and the Corporation's investment guidelines, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statements 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 the board, management, others within the Corporation, and the New York State Office of State Comptroller, and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co. P.C.

Williamsville, New York
August 16, 2010