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**NEW YORK EMPOWERMENT
ZONE CORPORATION**
**(A Subsidiary of New York State
Urban Development Corporation)**
**Financial Statements and
Independent Auditors' Report
June 30, 2015 and 2014**

Government Auditing Standards
Audit of Financial Statements Performed in Accordance with
Reporting and on Compliance and Other Matters Based on an
Independent Auditors' Report on Internal Control over Financial

Independent Auditors' Report on Investment Compliance

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NEW YORK EMPOWERMENT ZONE CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
New York Empowerment Zone Corporation:

Report on the Financial Statements

Required supplementary information

We have audited the accompanying financial statements of New York Empowerment Zone Corporation (the "Corporation"), a subsidiary of New York State Urban Development Corporation, as of and for the years ended June 30, 2015 and 2014, and the related notes to financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Other Reporting Required by Government Auditing Standards

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 Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of New York Empowerment Zone Corporation as of June 30, 2015 and 2014, and the respective changes in net position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2015 on the Corporation's compliance with Section 201.3 of Title Two of the Official Compilation of Codes Rules, and Regulations of the State of New York. The purpose of that report is to provide an opinion as to the Corporation's compliance with investment guidelines contained therein. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
August 19, 2015

NEW YORK EMPOWERMENT ZONE CORPORATION

Management's Discussion and Analysis

June 30, 2015 and 2014

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 Position presents the financial position of the Corporation at the end of each period presented. It includes all of the Corporation's assets, liabilities, deferred outflows and deferred inflows 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 position structure of the Corporation and assessing its liquidity and financial flexibility.

The Statements of Revenue, Expenses and Changes in Net Position 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 was originally scheduled to expire on December 31, 2004. The Community Renewal Tax Relief Act of 2000 extended the designation of Federal Empowerment Zones through December 31, 2009 and the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 extended the designation through December 31, 2011. In June 2004, the NYEZC 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 of December 2011. Currently, there are only two local development corporations, Upper Manhattan Empowerment Zone Corporation ("UMEZ") and Bronx Overall Economic Development Corporation ("BOEDC"), that have been approved by the Corporation's Board to undertake projects that qualify for funding from the Corporation.

NEW YORK EMPOWERMENT ZONE CORPORATION

Management's Discussion and Analysis, Continued

During fiscal 2015 and 2014, NYEYC continued its mission to oversee the activities of the Federally-designated Empowerment Zone (EZ) and provide final funding approval for EZ projects generated by UMEZ and BOEDC. The Corporation's responsibilities include project approval, receipt and disbursement of funds, program monitoring and reporting.

In fiscal 2015, the Corporation's Board of Directors approved \$10.5 million in funding consisting of two specific projects, compared to \$3.9 million in fiscal 2014. These two projects are being funded from a pool of funds established in fiscal 2010 totaling \$50.4 million. Both of the projects were funded through the Business Investment program totaling \$10.5 million. The individual projects approved for EZ funding included Victoria Tower and Grameen America, Inc.

Summarized statements of NYEYC's assets, liabilities and net position at June 30, 2015 and 2014 is as follows:

Condensed Statement of Net Position at June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets	\$ <u>12,956,965</u>	<u>16,303,814</u>
Liabilities	643,972	1,546,881
Deferred inflows of resources	<u>11,982,011</u>	<u>14,425,951</u>
Net position - restricted	\$ <u>330,982</u>	<u>330,982</u>

Summarized statements of NYEYC's revenue, expenses and changes in net position for the years ended June 30, 2015 and 2014 is as follows:

Condensed Statements of Revenue and Expenses and
Changes in Net Position for the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenue	\$ 2,321,362	2,931,938
Operating expenses	(2,321,362)	(2,931,938)
Operating income	-	-
Non-operating expenses	-	-
Change in net position	-	-
Net position - restricted at beginning of year	<u>330,982</u>	<u>330,982</u>
Net position - restricted at end of year	\$ <u>330,982</u>	<u>330,982</u>

There was no change in net position for the years ended June 30, 2015 and 2014.

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

LIQUIDITY

The Corporation's cash and equivalents totaled approximately \$0.85 million and \$3.34 million at June 30, 2015 and 2014, respectively. There was a net decrease in cash and equivalents of \$2.49 million at June 30, 2015 primarily attributable to a larger amount of cash outflow to approved initiatives than in fiscal year 2014. There was a net increase in cash and equivalents of \$2.54 million at June 30, 2014.

During fiscal 2015 and 2014, cash paid out exceeded cash receipts to the UMEZ and BOEDC exclusive of invested State and City funds from granting governments by approximately \$3.3 million and \$2.0 million, respectively. In fiscal 2015, there was a net decrease of approximately \$3.6 million in proceeds from the rollover of investments in comparison to 2014.

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.

LIQUIDITY

The Corporation's cash and equivalents totaled approximately \$0.82 million and \$3.34 million at June 30, 2015 and 2014, respectively. There was a net decrease in cash and equivalents of \$2.49 million at June 30, 2015 primarily attributable to a larger amount of cash outflow to approved initiatives than in fiscal year 2014. There was a net increase in cash and equivalents of \$2.54 million at June 30, 2014.

During fiscal 2015 and 2014, cash paid out exceeded cash receipts to the UMEZ and BOEDC exclusive of invested state and City funds from granting governments by approximately \$3.3 million in proceeds from the rollover of investments in comparison to 2014. In fiscal 2015, there was a net decrease of approximately \$3.3 million in proceeds from the rollover of investments in comparison to 2014.

FINANCIAL STATEMENTS

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.

NEW YORK EMPOWERMENT ZONE CORPORATION
 Statements of Net Position
 June 30, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Cash and equivalents	\$ 850,482	3,336,115
Investment securities, at fair value	11,299,256	12,119,216
Due from New York State Urban Development Corporation	119,311	414,130
Other receivables	687,916	434,353
Total assets	<u>12,956,965</u>	<u>16,303,814</u>
Liabilities - accounts payable and accrued expenses	<u>643,972</u>	<u>1,546,881</u>
Deferred inflows of resources - unspent grants	<u>11,982,011</u>	<u>14,425,951</u>
Net position - restricted	<u>\$ 330,982</u>	<u>330,982</u>

See accompanying notes to financial statements.

NEW YORK EMPOWERMENT ZONE CORPORATION
 Statements of Revenue, Expenses and Changes in Net Position
 Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenue:		
Grants:		
Federal	\$ 71,764	66,418
State of New York	179,666	487,632
City of New York	2,069,932	2,377,888
Total operating revenue	<u>2,321,362</u>	<u>2,931,938</u>
Operating expenses:		
Grants to local development corporations -		
Upper Manhattan Empowerment Zone		
Development Corporation	1,998,167	2,597,684
Management and general expenses	323,195	334,254
Total operating expenses	<u>2,321,362</u>	<u>2,931,938</u>
Operating income	-	-
Net position - restricted at beginning of year	<u>330,982</u>	<u>330,982</u>
Net position - 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, 2015 and 2014

Note 1 - Corporate Background and Activities

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash receipts from granting governments and reimbursements	\$ 48,445	151,791
Cash paid for grants to local development corporations	(2,901,076)	(1,077,842)
Cash paid for management and general expenses	(452,962)	(993,869)
Net cash used in operating activities	<u>(3,305,593)</u>	<u>(1,919,920)</u>
Cash flows from investing activities - proceeds from sale of investments, net	<u>819,960</u>	<u>4,453,656</u>
Net increase in cash and equivalents	(2,485,633)	2,533,736
Cash and equivalents at beginning of year	<u>3,336,115</u>	<u>802,379</u>
Cash and equivalents at end of year	<u>\$ 850,482</u>	<u>3,336,115</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	-	-
Adjustments to reconcile operating income to net cash used in operating activities - changes in:		
Other receivables	(253,563)	256,674
Accounts payable and accrued expenses	(902,909)	1,519,842
Due to/from New York State Urban Development Corporation	294,819	(111,723)
Unspent grants	(2,443,940)	(3,584,713)
Net cash used in operating activities	<u>\$ (3,305,593)</u>	<u>(1,919,920)</u>

See accompanying notes to financial statements.

NEW YORK EMPOWERMENT ZONE CORPORATION

Notes to Financial Statements

June 30, 2015 and 2014

Note 1 - Corporate Background and Activities

(a) Background

The New York Empowerment Zone Corporation ("NYEZC" or 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 were expected to total approximately \$300 million (\$100 million each from HUD, the State and the City) over a ten-year period through 2007. The State has met approximately \$84.8 million of their \$100 million commitment to the Corporation as described in the application seeking designation of portions of Upper Manhattan and the South Bronx as a Federal Empowerment Zone. However, the State remains committed to providing the balance of those funds evidenced by past contributions.

The Federal Empowerment Zones program was originally scheduled to expire on December 31, 2004. The Community Renewal Tax Relief Act of 2000 extended the designation of Federal Empowerment Zones through December 31, 2009 and the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 extended the designation through December 31, 2011. In June 2004, the NYEZC 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 of December 2011. Currently, there are only two local development corporations, Upper Manhattan Empowerment Zone Development Corporation ("UMEZC") and Bronx Overall Economic Development Corporation ("BOEDC"), that have been approved by the Corporation's Board to undertake projects which qualify for funding from the Corporation.

NEW YORK EMPOWERMENT ZONE CORPORATION

Notes to Financial Statements, Continued

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. The Corporation complies with all applicable pronouncements of the Governmental Accounting Standards Board ("GASB") as well as with authoritative pronouncements applicable to nongovernmental entities (e.g., Financial Accounting Standards Board Statements) that do not conflict with GASB pronouncements.

(b) New Accounting Pronouncements

For the year ended June 30, 2014, NYEZC adopted the provisions of the following Governmental Accounting Standards Board ("GASB") Statement:

- GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities" establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources such as changes in the determination of the major fund calculations and limiting the use of the term deferred in the financial statement presentations.

(c) 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.

(d) 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.

(e) Cash and Equivalents

Cash and equivalents include cash deposits with banks and highly liquid temporary investments with original maturities of 90 days or less.

NEW YORK EMPOWERMENT ZONE CORPORATION

Notes to Financial Statements, Continued

Note 2 - Summary of Significant Accounting Policies, Continued

(f) Expenditures

The Corporation's staff consists of an administrator which may be one or two persons, the cost of which is allocated among the Federal, State and City funds. In addition, annual operational cost of \$135,000 incurred by UDC staff are reimbursable from the State's annual grant funds. The reimbursement was not received during fiscal 2015 and 2014. 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, 2015 and 2014.

(g) Investment Securities

Investment securities are reported at fair value in the statements of net position, and investment income, including changes in fair value, are reported as revenue in the statements of revenue, expenses and changes in net position.

The fair value of investment securities, which include United States government and Federal agency obligations and obligations of State and local governments, is generally based on quoted market prices. Commercial paper and mutual funds, including time deposits and repurchase agreements with maturities of one year or less, are reported at amortized cost. If required, collateral for these investments is held in the Corporation's name by financial institutions as custodians. Investment income also includes realized gains and losses from the disposition of investments on a specific identification basis.

(h) Restricted Net Position

The net position created through the operation of NYEZC is restricted by the terms of the Memorandum of Understanding.

(i) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

Note 3 - Cash and Equivalents

Demand deposits are secured by surety bonds and collateral held by a bank or trust company as custodians. Securities are either delivered or registered by book entry in the Corporation's name with bond trustees or custodian banks.

NEW YORK EMPOWERMENT ZONE CORPORATION

Notes to Financial Statements, Continued

Note 3 - Cash and Equivalents, Continued

At June 30, 2015, cash held in demand and custodial deposits, as well as cash equivalents were collateralized by the depository, generally with obligations of the United States, its agencies, or New York State obligations with a remaining maturity when purchased of 90 days or less, as follows:

	2015		2014	
	Carrying amount	Bank balance	Carrying amount	Bank balance
Insured (FDIC)	\$ 1,139	1,139	1,245	1,245
Uninsured - collateral held by custodian in NYEZC's name	<u>849,343</u>	<u>849,343</u>	<u>3,334,870</u>	<u>3,334,870</u>
Total cash and cash equivalents	\$ <u>850,482</u>	<u>850,482</u>	<u>3,336,115</u>	<u>3,336,115</u>

Note 4 - 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 authorities;
- Direct obligations of the State of New York, its political subdivisions and public authorities;
- Bond and other obligations of governmental authorities, political subdivisions, Federal agencies, Government Sponsored Enterprises ("GSE's") or public authorities of the State or of the United States of America, which are securities in which the Corporation lawfully may invest pursuant to applicable statutes, regulations or bond resolutions, including but not limited to Federal National Mortgage Association ("FNMA"), Federal Farm Credit Bank ("FFCB"), Federal Home Loan Bank ("FHLB"), Federal Home Loan Mortgage Corporation (FHLMC - "Freddie Mac"), and Student Loan Marketing Association (SLMA - "Sallie Mae").
- Repurchase agreements with financial institutions authorized to do 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;
- Prime commercial paper issued by domestic banks, corporations and financial companies rated "A-" or better by Standard & Poor's Corporation or "P-1" by Moody's Investors Service, Inc.;
- Restricted cash held for subsidiaries and for other purposes insured by the FDIC or fully collateralized in the Corporation's name;
- Certificates of deposit of banks or trust companies authorized to be business in the State;
- Units, shares or interest in a mutual fund or money market fund of regulated investment companies that meet specified criteria; and
- Real property.

NEW YORK EMPOWERMENT ZONE CORPORATION

Notes to Financial Statements, Continued

Note 4 - Investment Securities, Continued

Investment securities cost and fair value consisted of the following at June 30, 2015 and 2014:

	2015		
	Cost	Fair value	Unrealized gain
U.S. Government and Federal Agency obligations	\$ <u>11,298,783</u>	<u>11,299,256</u>	<u>473</u>
	2014		
	Cost	Fair value	Unrealized gain
U.S. Government and Federal Agency obligations	\$ <u>12,119,470</u>	<u>12,119,216</u>	<u>(254)</u>

Note 5 - 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 \$7,189 and \$6,577 for the years ended June 30, 2015 and 2014, respectively, and was credited directly to deferred inflows of resources.

Note 6 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 72 - "Fair Value Measurement and Application" provides guidance regarding accounting and financial reporting relate to fair value measures of certain investments. The requirements of this statement are effective for periods beginning after June 15, 2015, which is the fiscal year beginning July 1, 2015 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this statement on the financial statements of the Corporation.

GASB Statement No. 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". This statement, issued in June 2015, establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as requirements for the assets accumulated for purposes of providing those pensions. The requirements of this

NEW YORK EMPOWERMENT ZONE CORPORATION

Notes to Financial Statements, Continued

Note 6 - Accounting Standards Issued But Not Yet Implemented, Continued

Statement for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016. Requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions as well as the requirements for pension plans within the scope of Statements 67 and 68 are effective for fiscal years beginning after June 15, 2015, which is the fiscal year beginning July 1, 2015. This Statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 74 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement, issued in June 2015, replaces existing standards of accounting and financial reporting for post employment benefit plans other than pension plans and also replaces existing requirements for defined contribution OPEB plans. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016, which is the fiscal year beginning July 2, 2016 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for fiscal years beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 76 - "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This statement, issued in June 2015, supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements for this Statement are effective for financial statements for periods beginning after June 15, 2015, which is the fiscal year beginning July 1, 2015 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE 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, in accordance with the 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 Comptroller General of the United States, the financial statements of New York Empowerment Zone Corporation (the "Corporation"), a subsidiary of New York State Urban Development Corporation, which comprise the statement of net position as of June 30, 2015, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated August 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Board of Directors
New York Empowerment Zone Corporation:

Report on Investment Program Compliance

We have audited the New York Empowerment Zone Corporation's (the "Corporation"), a subsidiary of New York State Urban Development Corporation, compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the Corporation's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the investment program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Investment Program

In our opinion, the New York Empowerment Zone Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
August 19, 2015

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

Tester & Co., CPAs, P.C.

Williamsville, New York
August 19, 2012