

NEW YORK JOB DEVELOPMENT AUTHORITY

Combined Financial Statements
and Independent Auditors' Report

March 31, 2014 and 2013

NEW YORK JOB DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

The Authority Members
New York Job Development Authority:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of New York Job Development Authority (the "Authority"), a component unit of the State of New York, as of and for the years ended March 31, 2014 and 2013, and the related notes to combined financial statements, which collectively comprise the Authority's combined financial statements as listed in the table of contents.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the combined 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 Authority'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the net position of New York Job Development Authority as of March 31, 2014 and 2013, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 2 to the financial statements, the Corporation adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 65 - "Items Previously Reported as Assets and Liabilities." Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic combined 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined 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 June 16, 2014, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

In accordance with Government Auditing Standards, we have also issued our report dated June 16, 2014 on the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 16, 2014

NEW YORK JOB DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

March 31, 2014 and 2013

Our discussion and analysis of the New York Job Development Authority's ("JDA" or "Authority") financial performance provides an overview of the Authority's financial activities for the year ended March 31, 2014. Please read it in conjunction with the Authority's combined financial statements.

Overview

During the year ended March 31, 2014, the Authority continued its mission to spur job growth and capital investment in New York State by using authority granted to it and by leveraging State-guaranteed bonds to support low interest loans to manufacturers and other targeted industries throughout New York State. The loan program provides financing to encourage the growth of manufacturing and other private sector business in the State without requiring appropriation of taxpayers' funds.

Since 1995, the Authority has done business as Empire State Development ("ESD") and has been administratively consolidated with the New York State Urban Development Corporation ("UDC"). The Authority experienced financial difficulties in the mid-1990's. As a result, from 1997 through March 31, 2004 the Authority received from UDC, also doing business as ESD, an annual operating transfer to assist in meeting its legal obligations. No assistance was required in the years ended March 31, 2014 and 2013 and no assistance is expected to be required in the next fiscal year.

As a result of improvements in collections of the reserved loans in the loan portfolio, the absorption of personnel costs by UDC, and the consolidation of the net position of New York Liberty Development Corporation ("NYLDC") and Brooklyn Arena Local Development Corporation ("BALDC"), the Authority has achieved a net position balance of \$77.6 million at March 31, 2014. NYLDC was created in 2002 to provide a vehicle for the State to issue Liberty Bonds in the wake of the terrorist attacks of September 11, 2001. BALDC was created in November 2008 to finance certain components of the Atlantic Yards land use improvement project.

In October 2003, the Authority caused the creation of Empire State Local Development Corporation ("ESLDC"). ESLDC has state-wide jurisdiction and was created to carry out various economic development initiatives through the use of pass through grants received from outside sources.

In June 2010, the Authority authorized the creation of Canal Side Local Development Corporation ("CSLDC") and the certificate of incorporation was filed in February 2012. CSLDC was created to help facilitate the financing of the Canal Side Land Use Improvement Project in Buffalo.

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

New Accounting Pronouncement

For the year ended March 31, 2014, the Authority 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.

The adoption of this standard required restatement of the net position at the beginning of fiscal year ended March 31, 2013. The effect of this restatement is to reduce beginning net position in fiscal year ended March 31, 2013 by \$237,229 to reflect the expensing of bond issuance costs of \$138,827 and elimination of 2013 amortization expense of \$98,402.

Summarized Statements

A summary of the Authority's financial information as of March 31, 2014 and 2013 is as follows:

Summary of Combined Statements of Net Position

	<u>2014</u>	2013 (As restated)
	(In thousands)	
Assets		
Cash and equivalents, restricted cash and temporary investments	\$ 109,379	102,788
Loans receivable, net	13,809	18,935
Financing leases, net	7,646	8,326
Other assets	<u>74</u>	<u>163</u>
Total assets	<u>130,908</u>	<u>130,212</u>
Liabilities:		
Special purpose bonds	12,345	15,435
Due to New York State Urban Development Corporation	26,230	26,171
Accounts payable and accrued expenses	<u>196</u>	<u>288</u>
Total liabilities	<u>38,771</u>	<u>41,894</u>
Deferred inflows of resources - unearned income	<u>14,578</u>	<u>14,572</u>
Net position - restricted	<u>\$ 77,559</u>	<u>73,746</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

Summary of Combined Statements of Revenue,
Expenses and Changes in Net Position

	<u>2014</u>	2013 <u>(As restated)</u>
	(In thousands)	
Operating revenue:		
Loan interest	\$ 1,714	2,068
Grant income	-	18
Bond and note fee income	400	2,575
Other revenue	<u>2,872</u>	<u>985</u>
Total operating revenue	<u>4,986</u>	<u>5,646</u>
Operating expenses:		
Interest, principally bonds	795	941
Credit and bond related fees	111	327
General and administrative	264	318
Grants	-	18
Pollution remediation	-	45
Brooklyn Arena Local Development Corporation	<u>41</u>	<u>86</u>
Total operating expenses	<u>1,211</u>	<u>1,735</u>
Operating income	<u>3,775</u>	<u>3,911</u>
Nonoperating revenue	59	142
Nonoperating expenses	<u>(21)</u>	<u>(26)</u>
Nonoperating revenue, net	<u>38</u>	<u>116</u>
Change in net position	<u>3,813</u>	<u>4,027</u>
Net position - restricted at beginning of year, as previously stated	73,746	69,956
Restatement (Note 2)	<u>-</u>	<u>(237)</u>
Net position - restricted at beginning of year, as restated	<u>73,746</u>	<u>69,719</u>
Net position - restricted at end of year	<u>\$ 77,559</u>	<u>73,746</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

Liquidity

The Authority's cash and equivalents and investments totaled approximately \$109.4 million and \$102.8 million at March 31, 2014 and 2013, respectively. The increase is primarily due to \$10.9 million in loan and lease collections, offset by a \$3.9 million debt service disbursement, \$0.1 million in credit and bond related fees and \$0.3 million in general and administrative expenses.

The Authority's loan receivable balance totaled \$13.8 million and \$18.9 million at March 31, 2014 and 2013, respectively. The decrease is primarily due to approximately \$8.0 million in principal loan collections offset by increases of \$0.3 million in deferred loan income amortization and \$2.6 million in recoveries against loan loss reserves.

Approximately 38% of the consolidated net position balance results from the net fees earned by NYLDC over the last several years.

Cash generated from operations exceeded the Authority's operating requirements for the year ended March 31, 2014 by approximately \$0.7 million, primarily due to the receipt of \$0.4 million in bond fees, \$0.2 in prepaid penalty fees and \$1.3 million in loan interest offset by \$0.8 million in bond interest disbursements, \$0.1 million in credit and bond related fees and \$0.3 million in general and administrative expenses.

Capitalization

As of March 31, 2014, the Authority had approximately \$12.3 million in outstanding bonds. Total debt decreased by approximately \$3.1 million through scheduled maturities of bonds.

Investment Ratings

As of March 31, 2014, the Authority's outstanding debt had the following ratings from the two major rating agencies:

<u>Issue</u>	<u>Ratings</u>	
	<u>FITCH</u>	<u>S&P</u>
Special Purpose Fixed Rate Bonds Series '04 B	AA	AA

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

Change in Net Position

The change in net position for the fiscal year ended March 31, 2014 amounted to \$3.8 million compared with \$4.0 million in fiscal 2013.

Revenue

Operating revenue approximated \$5.0 million in fiscal 2014 compared to \$5.6 million in fiscal 2013. The decrease is primarily due to a decrease in bond and note fee income and a reduction in loan interest collected, offset by an increase in recoveries against loan loss reserves.

Loan interest decreased by approximately \$0.4 million as a result of approximately \$9.5 million in loan and financing lease payments.

Bond and note fee income decreased by approximately \$2.2 million primarily due to the fact that there was a \$0.4 million fee earned on the sale of Liberty Bonds for the World Trade Center project as compared to a \$2.6 million fee earned in fiscal 2013.

Other revenue increased by approximately \$1.9 million due to an increase in recoveries against loan loss reserves.

Nonoperating revenue decreased by \$0.08 million due to a decrease in investment income as a result of a decrease in investment rates throughout the year.

Operating Expenses

Operating expenses for the fiscal year ended March 31, 2014 were \$1.2 million compared with \$1.7 million in the fiscal year ended March 31, 2013. The decrease is primarily due to the fact that interest on bonds decreased by approximately \$0.2 million, credit and bond related expenses decreased by approximately \$0.2 million, general and administrative expenses decreased by \$0.05 million and pollution remediation expenses decreased by \$0.05 million.

Interest on bonds decreased by \$0.2 million due to the maturity of certain bonds.

Credit and bond related fees decreased by \$0.2 million primarily due to the fact that a letter of credit was not renewed after April 8, 2013.

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

General and administrative expenses decreased by approximately \$0.05 million primarily due to a decrease in operating costs.

The Authority's financial position remains strong. No assistance has been received from UDC since the fiscal year ended March 31, 2004.

In fiscal year 2014, there was one new loan issued in the amount of \$0.62 million to SubZero Insulation and Refrigeration Technologies, LLC for the purpose of purchasing of a 20,000 square foot building on a 1-acre parcel in Deer Park (the "Real Estate Project"). The total cost of the Real Estate Project is \$1.56 million.

There are approximately \$3.7 million in loans approved but not closed.

In the coming fiscal year, no events are anticipated that would have a significant negative effect on the financial position of the Authority. It is expected that there will continue to be an increase in marketing of the JDA program throughout the State in order to provide additional financing opportunities to businesses.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the New York Job Development Authority'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 Job Development Authority d/b/a Empire State Development, 633 Third Avenue, New York, New York 10017.

COMBINED FINANCIAL STATEMENTS

NEW YORK JOB DEVELOPMENT AUTHORITY
 Combined Statements of Revenue, Expenses and Changes in Net Position
 Years ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u> <u>(As restated)</u>
Operating revenue:		
Loan interest	\$ 1,714,343	2,068,175
Grant income	-	18,191
Bond and note fee income	400,000	2,574,990
Other revenue	<u>2,871,569</u>	<u>985,034</u>
Total operating revenue	<u>4,985,912</u>	<u>5,646,390</u>
Operating expenses:		
Interest, principally bonds	795,134	940,815
Credit and bond related fees	111,567	326,614
General and administrative	263,864	317,333
Grants	-	18,191
Pollution remediation	-	45,000
New York Liberty Development Corporation	-	365
Brooklyn Arena Local Development Corporation	<u>40,739</u>	<u>85,939</u>
Total operating expenses	<u>1,211,304</u>	<u>1,734,257</u>
Operating income	<u>3,774,608</u>	<u>3,912,133</u>
Nonoperating revenue (expenses):		
Investment income, including change in fair value	58,877	141,756
Interest - New York State Urban Development Corporation	<u>(20,739)</u>	<u>(26,325)</u>
Nonoperating revenue, net	<u>38,138</u>	<u>115,431</u>
Change in net position	<u>3,812,746</u>	<u>4,027,564</u>
Net position - restricted at beginning of year, as previously stated	73,745,878	69,955,543
Restatement (note 2)	<u>-</u>	<u>(237,229)</u>
Net position - restricted at beginning of year	<u>73,745,878</u>	<u>69,718,314</u>
Net position - restricted at end of year	<u>\$ 77,558,624</u>	<u>73,745,878</u>

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
 Combined Statements of Cash Flows
 Years ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u> <u>(As restated)</u>
Cash flows from operating activities:		
Cash received from interest on loans and financing leases	\$ 1,338,834	1,768,728
Cash received from grants	-	18,191
Cash received from bond and related fees	411,077	2,574,990
Other operating cash receipts	176,716	168,130
Interest paid on bonds payable	(808,164)	(975,613)
Cash paid for related bond expenses	(111,567)	(326,614)
Cash paid for general and administrative expenses	(241,181)	(237,256)
Cash paid for grants	-	(18,191)
Cash paid for NYLDC operating expenses	-	(4,018)
Cash paid for BALDC operating expenses	(59,817)	(107,002)
Net cash provided by operating activities	<u>705,898</u>	<u>2,861,345</u>
Cash flows from noncapital financing activities - special purpose bond retirements	<u>(3,090,000)</u>	<u>(3,505,000)</u>
Cash flows from investing activities:		
Proceeds from sale of temporary investments in marketable securities	542,036,844	739,549,979
Purchase of temporary investments in marketable securities	(543,234,530)	(746,338,751)
Interest on investments	59,466	269,911
Loan disbursements	(624,000)	-
Principal collected on loans receivable	8,237,848	5,555,800
Principal collected on financing leases	1,296,893	1,119,270
Reduction of Port Authority appropriation for grant disbursements	-	(18,191)
Net cash provided by investing activities	<u>7,772,521</u>	<u>138,018</u>
Net increase (decrease) in cash and equivalents	5,388,419	(505,637)
Cash and equivalents at beginning of year	<u>2,026,599</u>	<u>2,532,236</u>
Cash and equivalents at end of year	<u>\$ 7,415,018</u>	<u>2,026,599</u>

(Continued)

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
 Combined Statements of Cash Flows, Continued

	<u>2014</u>	<u>2013</u> <u>(As restated)</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,774,608	3,912,133
Adjustments to reconcile operating income to net cash provided by operating activities:		
Recovery of provision for loss on loans receivable, loan guarantees and financing leases	(2,683,776)	(770,905)
Operating expenses paid by UDC	38,301	61,890
Amortization - deferred loan income	(319,435)	(218,991)
Amortization - deferred lease premiums	(102,583)	(109,517)
Amortization - bond premium	-	(20,844)
Changes in:		
Accrued interest receivable	46,509	28,061
Prepaid insurance	(737)	(829)
Accounts payable and accrued expenses	<u>(46,989)</u>	<u>(19,653)</u>
Net cash provided by operating activities	<u>\$ 705,898</u>	<u>2,861,345</u>

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements
March 31, 2014 and 2013

Note 1 - Corporate Background and Activities

(a) General

New York Job Development Authority (the "Authority" or "JDA"), doing business as Empire State Development ("ESD"), is a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Authority's mission is to spur job growth and capital investment in New York State by using authority granted to it and by leveraging State-guaranteed bonds to support low interest loans to manufacturers and other targeted industries throughout New York State. As a public benefit corporation, the Authority is tax exempt. The Authority is a component unit of the State and, as such, its combined financial statements are included in the State's general purpose financial statements.

(b) Activities

The principal activities of the Authority are providing business and industrial loans, described in the Authority's enabling legislation as "Special Purpose Loans," and the guarantee of loans made by banking organizations (as defined in the enabling legislation), described as "Special Purpose Loan Guarantees." All such loans and loan guarantees are made to businesses with operations in the State, and are provided for acquisition of real estate or machinery and equipment. The Authority generally requires security for loans and loan guarantees with the underlying assets and other available collateral.

The Authority finances these activities through the issuance of State guaranteed bonds and notes (the "Bonds") limited by the Constitution of the State and applicable legislation to an aggregate principal amount of \$900,000,000 outstanding at any time. To date, enabling legislation allows an aggregate principal amount of \$750,000,000 to be outstanding at any time.

The guarantee of the Bonds by the State is authorized by the New York Job Development Authority Act, as amended by Section 1813 of Title 8 Article 8 of the Public Authorities Law and Section 8 Article X of the Constitution of New York State. Under these provisions, if the Authority fails to pay when due, the principal or interest on the Bonds, or, if sued by any holder of the Bonds, the State Comptroller must set apart from the first revenues thereafter received from any source, applicable to the General Fund of the State, a sum sufficient to pay such principal and interest, and shall so apply the monies thus set apart. Effectively, the State is subrogated to the rights of the bondholders. The net position of the fund is considered restricted.

The Authority has the power to create local development corporations under Section 1804 of the New York Job Development Authority Act and Section 1411 of the New York Not-for-Profit Corporation Law. The Authority has created four Local Development Corporations: New York Liberty Development Corporation ("NYLDC"), Empire State Local Development Corporation ("ESLDC"), Brooklyn Arena Local Development Corporation ("BALDC"), and Canal Side Local Development Corporation ("CSLDC").

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 1 - Corporate Background and Activities, Continued

(b) Activities, Continued

The Authority substantially controls the operations of the Local Development Corporations. Under Governmental Accounting Standard Board (GASB) Statement No. 39 - "The Financial Reporting Entity," NYLDC, ESLDC, BALDC and CSLDC are considered blended component units of the Authority, and their assets, liabilities, and results of operations are combined with the operations of the Authority for financial reporting purposes.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority is an enterprise fund that follows the economic resource measurement focus and the accrual basis of accounting.

The Authority complies with all applicable pronouncements of GASB as well as with authoritative pronouncements applicable to non-governmental entities (e.g. Financial Accounting Standards Board Statements) that do not conflict with GASB pronouncements.

The Authority's combined financial statements are presented consistent with enterprises whose principal activities are considered a financing enterprise.

(b) New Accounting Pronouncement

For the year ended March 31, 2014, the Authority adopted the provisions of the following 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.

The adoption of this standard required restatement of the net position at the beginning of fiscal year ended March 31, 2013. The effect of this restatement is to reduce beginning net position in fiscal year ended March 31, 2013 by \$237,229 to reflect the expensing of bond issuance costs of \$138,827 and elimination of 2013 amortization expense of \$98,402.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 2 - Summary of Significant Accounting Policies, Continued

(c) Use of Estimates

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

(d) Cash and Equivalents

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

(e) Investment Securities

Investment securities consist of temporary investments of available cash and debt service reserve funds in marketable securities. Investment securities are reported at fair value in the combined statements of net position, and investment income, including changes in fair value, is reported as nonoperating revenue in the combined 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. Interest earning investment instruments, including time deposits and repurchase agreements with maturities of one year or less, are reported at amortized cost. Investment income also includes realized gains and losses from disposition of investments on a specific identification basis. Collateral for these investments is held in the Authority's name by financial institutions as custodians. Investment securities that are not required by bond indentures to be held by independent trustees are maintained and held by the New York State Department of Taxation and Finance.

(f) Loans and Financing Leases Receivable

Loans and financing leases are generally reported at their principal amounts outstanding, net of allowances for possible credit losses. The Authority lends funds for the acquisition of land and buildings which are generally repayable over 15 to 20 years. Loans to fund machinery and equipment are generally repayable over 7 to 10 years. Generally, all loans represent second mortgages or other subordinated positions. Interest revenue on loans and financing leases is credited to interest income based on loan principal amounts outstanding at appropriate interest rates. Interest is not accrued on loans which are delinquent three or more months and which management considers uncollectible. In addition, the Authority provides financing leases for property previously acquired in foreclosure. Financing leases generally require repayment over periods ranging from 1 to 20 years.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 2 - Summary of Significant Accounting Policies, Continued

(g) Allowance for Possible Credit Losses and Estimated Loan Guarantee Losses

The allowance for possible credit losses provides for risks of losses inherent in the credit extension process. The Authority maintains this allowance on a specific and general basis at levels considered adequate to meet present and future losses on loans and financing leases. Estimates of loan guarantee losses are based on similar analyses. This evaluation encompasses business and economic conditions, the character, quality and performance of the portfolios, availability of collateral and the risks inherent in these loans. Accordingly, these estimates could change in the near term.

(h) Foreclosed Properties

The Authority may hold title to properties acquired in satisfaction of loans, including in-substance foreclosures. Such amounts, if any, are carried at the lower of cost or estimated fair market value.

(i) Grant Revenue and Expense

ESLDC administers certain grant funds from various sources. These grants are awarded for specifically designated projects and are distributed directly to the projects. ESLDC records revenue upon disbursement of the grants to grantees. Grant advances not disbursed to grantees are recorded as unearned income.

NYLDC recognizes grant expense upon the disbursement of grants to grantees.

(j) Pollution Remediation Costs

Pollution remediation costs are charged in accordance with the provision of GASB Statement No. 49 (see note 10). An operating expense provision and corresponding liability measured at its current value using the expected cash flow method have been recognized for certain pollution remediation obligations. Pollution remediation obligations occur when any one of the following obligating events takes place: the Authority is in violation of a pollution prevention-related permit or license; an imminent threat to public health due to pollution exists; the Authority is named by a regulator as a responsible or potentially responsible party to participate in remediation; the Authority voluntarily commences or legally obligates itself to commence remediation efforts; or the Authority is named or there is evidence that the Authority will be named in a lawsuit that compels participation in remediation activities.

(k) Subsequent Events

The Authority has evaluated events after March 31, 2014, and through June 16, 2014, which is the date the combined 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 combined financial statements.

(l) Reclassifications

Reclassifications have been made to certain 2013 balances in order to conform them to the 2014 presentation.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations

(a) New York Liberty Development Corporation

In August 2002, at the request of the Governor, the Authority caused the creation of New York State Liberty Development Corporation ("NYLDC"). NYLDC was created as a conduit for the issuance of qualified New York Liberty Bonds ("Liberty Bonds") and such other non-federally tax-exempt obligations as may be appropriate. Bond proceeds are used to finance private projects primarily in the New York Liberty Zone located in lower Manhattan. NYLDC receives fees in connection with each bond or note issuance. In certain instances, the bond issuance fees earned are shared with other entities. The summarized statements of net position of NYLDC as of March 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Cash and equivalents	\$ 564,009	145,241
Temporary investments in marketable securities	<u>28,795,435</u>	<u>33,778,721</u>
Net position	\$ <u>29,359,444</u>	<u>33,923,962</u>

The summarized statements of revenue, expenses and changes in net position of NYLDC for the years ended March 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Bonds and note fee income	\$ 400,000	2,574,991
Other revenue	11,077	-
Investment income	24,405	33,966
Cash paid for JDA loan loss reserve	(5,000,000)	-
Operating expenses	<u>-</u>	<u>(365)</u>
Changes in net position	\$ <u>(4,564,518)</u>	<u>2,608,592</u>

NYLDC did not issue Liberty bonds and notes during the year ended March 31, 2014.

Following a mandatory tender, re-designation and remarketing, in May 2013 (the "Tender Date"), the \$11,005,000 Series 2011B-1 Tower 3 Bonds and the \$1,970,000 Series 2011B-2 Tower 3 Bonds were continued in the Weekly Mode, \$1,670,000 principal amount of the prior \$1,216,525,000 Series 2011A Tower 3 Bonds were converted to the Weekly Mode and re-designated as the "Series 2011B-3 Tower 3 Bonds," and the remaining \$1,214,855,000 principal amount of the Series 2011A Tower 3 Bonds were re-designated as the "Series 2011A Tower 3 Bonds." In addition on May 2013 (the "Tender Date"), the \$1,035,000 Series 2011B-1 Tower 3-4 Bonds and the \$180,000 Series 2011B-2 Towers 3-4 Bonds were continued in the Weekly Mode, \$155,000 principal amount of the prior \$112,785,000 Series 2001A Towers 3-4 Bonds were converted to the Weekly Mode and re-designated as the "Series 2011B-3 Towers 3-4 Bonds," and the remaining \$112,630,000 principal amount of the Series 2011A Towers 3-4 Bonds were re-designated as the "Series 2011A Tower 3-4 Bonds."

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations, Continued

(a) New York Liberty Development Corporation, Continued

In addition in May 2013 (the "Tender Date"), the \$1,490,000 Series 2010A-2 Bonds, the \$585,000 Series 2010A-3 Bonds and the \$515,000 Series 2010A-4 Bonds were continued in the Weekly Mode, \$460,000 principal amount of the prior \$335,460,000 Series 2010A-1 Bonds were converted to the Weekly Mode and re-designated as the "Series 2010A-5 Bonds," and the remaining \$335,000,000 principal amount of the Series 2010A-1 Bonds were re-designated as the "Series 2010A-1 Bonds." In March 2014 (the "Tender Date"), the \$11,005,000 Series 2011B-1 Tower 3 Bonds, the \$1,970,000 Series 2011B-2 Tower 3 Bonds and the \$1,670,000 Series 2011B-3 Tower 3 Bonds were continued in the Weekly Mode, \$840,000 principal amount of the prior \$1,214,855,000 Series 2011A Tower 3 Bonds were converted to the Weekly Mode and re-designated as the "Series 2011B-4 Tower 3 Bonds," and the remaining \$1,214,015,000 principal amount of the prior Series 2011A Tower 3 Bonds were re-designated as the "Series 2011A Tower 3 Bonds." In addition in March 2014 (the "Tender Date"), \$1,035,000 Series 2011B-1 Towers 3-4 Bonds, the \$180,000 Series 2011B-2 Tower 3-4 Bonds and the \$155,000 Series 2011B-3 Tower 3-4 Bonds were continued in the Weekly Mode, \$100,000 principal amount of the prior \$112,630,000 Series 2011A Tower 3-4 Bonds were converted to the Weekly Mode and re-designated as the "Series 2011B-4 Tower 3-4 Bonds," and the remaining \$112,530,000 principal amount of the prior Series 2011A Tower 3-4 Bonds were re-designated as the "Series 2011A Towers 3-4 Bonds." In addition in March 2014 (the "Tender Date"), the \$1,490,000 Series 2010A-2 Bonds, the \$585,000 Series 2010A-3 Bonds, the \$515,000 Series 2010A-4 Bonds and the \$460,000 Series 2010A-5 Bonds were continued in the Weekly Mode, \$235,000 principal amount of the prior \$335,000,000 Series 2010A-1 Bonds were converted to the Weekly Mode and re-designated as the "Series 2010A-6 Bonds," and the remaining \$334,765,000 principal amount of the Series 2010A-1 Bonds were re-designated as the "Series 2010A-1 Bonds."

During the year ended March 31, 2013, NYLDC issued Liberty Revenue Refunding Bond Series 2012-7 World Trade Center Project in the aggregate face amount of \$450 million on behalf of and for the purpose of providing a portion of the funds to refund in whole the New York City Industrial Development Agency's \$425,000,000 Liberty Revenue Bonds, Series 2005A (7 World Trade Center, LLC Project) and its \$50,000,000 Liberty Revenue Bonds, Series 2005B (World Trade Center, LLC Project), the proceeds of which were used to finance a portion of the costs of the construction and development of the uppermost 42 floors of the 52-story building at the World Trade Center site in New York City known as 7 World Trade Center. In August 2012 (the "Tender Date"), \$112,785,000 of the initial Series 2011A Tower 3-4 Bonds were re-designated as the "Series 2011A Tower 3-4 Bonds," \$180,000 of the initial Series 2011A Tower 3-4 Bonds were converted to the Weekly Mode and re-designated as the "Series 2011B-2 Tower 3-4 Bonds," and the initial Series 2011B Tower 3-4 Bonds were re-designated as the "Series 2011B-1 Tower 3-4 Bonds." In addition in August 2012 (the "Tender Date"), \$1,216,525,000 of the

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations, Continued

(a) New York Liberty Development Corporation, Continued

initial Series 2011A Tower 3 Bonds were re-designated as the "Series 2011 A Tower 3 Bonds," \$1,970,000 of the initial Series 2011A Tower 3 Bonds were converted to the Weekly Mode and re-designated as the "Series 2011B-2 Tower 3 Bonds," and the initial Series 2011B Tower 3 Bonds were re-designated as the "Series 2011B-1 Tower 3 Bonds." In addition in August 2012 (the "Tender Date"), \$335,460,000 of initial Series 2010A-1 Tower 3 Recovery Zone Bonds were re-designated as the "Series 2010A-1 Tower 3 Recovery Zone Bonds," \$515,000 of the initial Series 2010A-1 Tower 3 Recovery Zone Bonds were converted to the Weekly Mode and re-designated as the "Series 2010B-4 Tower 3 Recovery Zone Bonds."

Since inception, NYLDC has issued an aggregate of \$6.162 billion of Liberty Bonds (at face amount of \$5.958 billion), \$338 million of Recovery Zone Bonds, and \$730 million of taxable notes excluding remarketing and refunding bonds on behalf of project owners. As of March 31, 2014, the total outstanding conduit debt amounted to \$6.6 billion. Liberty bonds, Recovery Zone bonds, and taxable notes are not the obligation of NYLDC, the Authority, or the State. Repayment of the bonds and notes is the obligation of respective project owners.

(b) Empire State Local Development Corporation

In October 2003, the Authority caused the creation of Empire State Local Development Corporation ("ESLDC"). ESLDC has state-wide jurisdiction and was created to carry out various economic development initiatives through the use of pass through grants received from outside sources. The summarized statements of net position of ESLDC as of March 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Cash and equivalents	\$ 495,533	491,445
Temporary investments in marketable securities	14,082,579	14,080,579
Deferred inflows of resources - unearned revenue	<u>(14,578,112)</u>	<u>(14,572,024)</u>
Net position	\$ _____	_____

The unearned revenue represents grant funds received that have not yet been disbursed to the grantee. In fiscal year 2014, there was no grant activity.

The summarized statements of revenue, expenses and changes in net position of ESLDC for the years ended March 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Grant revenue	\$ _____	18,191
Grant expenses	_____	<u>(18,191)</u>
Change in net position	\$ _____	_____

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations, Continued

(c) Brooklyn Arena Local Development Corporation

In November 2008, the Authority caused the creation of Brooklyn Arena Local Development Corporation ("BALDC"). BALDC has state-wide jurisdiction and was created as a conduit for the issuance of both taxable and tax-exempt bonds to finance the construction and related cost of the Arena.

The summarized statements of net position of BALDC at March 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Cash and equivalents	\$ 196,950	256,317
Accounts payable and accrued expenses	_____ -	<u>(19,078)</u>
Net position	\$ <u>196,950</u>	<u>237,239</u>

The summarized statements of revenue, expenses and changes in net position of BALDC for the years ended March 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Interest income	\$ 450	717
Operating expenses	<u>(40,739)</u>	<u>(85,939)</u>
Change in net position	\$ <u>(40,289)</u>	<u>(85,222)</u>

BALDC did not issue bonds during the year ended March 31, 2014. As of March 31, 2014, the total outstanding conduit debt is \$511 million. BALDC bonds are not the obligation of BALDC, the Authority or the State. Repayment of the bonds will be made from payment-in-lieu-of taxes and rental payments made by the Arena developer.

(d) Canal Side Local Development Corporation

In June 2010, the Authority authorized the creation of Canal Side Local Development Corporation ("CSLDC") and the certificate of incorporation was filed in February 2012. CSLDC was created to help facilitate the financing of the Canal Side Land Use Improvement Project in Buffalo. There was no activity during the years ended March 31, 2014 and 2013.

Note 4 - 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 UDC's name with bond trustees or custodian banks.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 4 - Cash and Equivalents, Continued

At March 31, 2014 and 2013, 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:

	<u>2014</u>		<u>2013</u>	
	<u>Carrying amount</u>	<u>Bank balance</u>	<u>Carrying amount</u>	<u>Bank balance</u>
Insured (FDIC)	\$ 337,865	337,865	337,791	337,791
Uninsured - collateral held by custodian in UDC's name	<u>7,165,018</u>	<u>7,177,864</u>	<u>1,776,599</u>	<u>1,776,599</u>
Total cash and cash equivalents	\$ <u>7,502,883</u>	<u>7,515,729</u>	<u>2,114,390</u>	<u>2,114,390</u>

Note 5 - Investments

Authorization for investments is governed by written internal investment 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;
- Bonds 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 and 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 doing business in the State of New York which are listed as primary government securities dealers by New York's Federal Reserve Bank and which are collateralized by U.S. Government securities;
- Commercial paper issued by domestic banks, corporations and financial companies rated "A-1" or better by Standard & Poor's Corporation or "P-1" or better by Moody's Investors Services, Inc.;
- Certificates of deposit; and
- Units, shares or interest in a mutual fund or money market fund of regulated investment companies that meet specified criteria.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 5 - Investments, Continued

Temporary and debt service reserve fund investments, reported at fair value, at March 31, 2014 and 2013 consist of the following:

	2014		2013	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
U.S. Government and Federal Agency obligations	<u>\$ 101,859,540</u>	<u>101,876,318</u>	<u>100,664,871</u>	<u>100,673,205</u>

Note 6 - Financing Leases Receivable

Minimum lease payments to be received under financing lease agreements for each of the next five years and thereafter as of March 31, 2014 were as follows:

2015	\$ 1,901,661
2016	1,629,918
2017	1,575,305
2018	1,551,046
2019	1,390,528
Thereafter	<u>2,247,588</u>
	10,296,046
Less:	
Portion attributable to interest	(1,939,916)
Allowance for possible credit losses	<u>(709,834)</u>
Total	<u>\$ 7,646,296</u>

Note 7 - Allowances for Possible Credit Losses and Estimated Loan Guarantee Losses

The estimated allowances for possible credit and loan guarantee losses are based primarily on a continuing evaluation of the portfolios, and of current economic conditions and such other factors which management believes require consideration in estimating future risks. Additions to the allowances are made by charges to expense. Reductions of the allowances are reported as other revenue. A summary of loan loss allowance activity for year ended March 31, 2014, with comparative totals for the year ended March 31, 2013, is as follows (in thousands):

	Allowances for losses on				
	<u>Loans</u>	<u>Financing leases</u>	<u>Loan guarantees</u>	<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Beginning balances	\$ 3,817	782	-	4,599	8,881
Net provisions (reductions)	<u>(2,611)</u>	<u>(72)</u>	-	<u>(2,683)</u>	<u>(4,282)</u>
Ending balances	<u>\$ 1,206</u>	<u>710</u>	-	<u>1,916</u>	<u>4,599</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 8 - Special Purpose Bonds Payable

The principal amount of special purpose bonds outstanding as of March 31, 2014 and 2013 is as follows (in thousands):

	<u>2014</u>	<u>2013</u>	<u>Coupon rate percentage</u>	<u>Maturity date</u>
Fixed rate special purpose bonds:				
2004 Series B	<u>\$ 12,345</u>	<u>15,435</u>	5.14 - 5.41	2015 - 2018

The maturities of special purpose bonds outstanding (in thousands) for the years following March 31, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,090	652	3,742
2016	3,085	493	3,578
2017	3,085	331	3,416
2018	<u>3,085</u>	<u>167</u>	<u>3,252</u>
	<u>\$ 12,345</u>	<u>1,643</u>	<u>13,988</u>

The Authority has the option, in some cases, to retire bonds prior to maturity as stipulated in the respective debt agreements.

No commercial paper was outstanding at March 31, 2014 and 2013. The Authority has entered into a revolving letter of credit agreement with financial institutions to support commercial paper notes issued in order to facilitate their sale. The letter of credit was left in place in case commercial paper notes are issued in the future, and at March 31, 2013 the total amount of unused letters of credit was \$35 million. The letter of credit expired on April 8, 2013 and was not replaced.

Note 9 - Due to New York State Urban Development Corporation

New York State Urban Development Corporation ("UDC") provides all of the management and operational oversight for the Authority. At March 31, 2014 and 2013, amounts due to UDC are primarily attributable to costs, including all payroll and related costs, allocated to or paid by UDC on behalf of the Authority for various general and administrative expenses. These costs, plus interest, approximated \$59,000 and \$88,000 during the years ended March 31, 2014 and 2013, respectively. The balance due at March 31, 2014 and 2013, excluding grant funds held by the Authority, amounted to \$26,229,746 and \$26,170,706, respectively. The interest rate used is the annualized average weighted yield earned by UDC on its investment portfolio. The interest portion of the accumulated liability covers the last nineteen fiscal years and amounts to approximately \$7,357,000 at March 31, 2014.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 10 - Pollution Remediation Obligations

During the year ended March 31, 2014, there was no pollution remediation expense. As expected the Authority recovered the remediation receivable recorded at March 31, 2013.

During the year ended March 31, 2013, the Authority recognized a pollution remediation expense provision of \$45,000 and a corresponding liability was recorded in the combined statements of net position. The Authority was expecting to recover the remediation expense from the tenant "Precision Properties, LLC" and the UDC Housing Repair Fund and also recorded a receivable in the amount of \$45,000.

Note 11 - Commitments

Special Purpose Fund loans approved by the Authority, but not yet closed, approximated \$3.7 million at March 31, 2014.

Note 12 - Contingencies

The Authority has been named as a defendant in legal actions arising from the operation of various economic development initiatives. In addition, defendants in mortgage loan foreclosure proceedings initiated by the Authority have asserted defenses and counter claims for damages. The Authority believes that the ultimate outcome of such litigation will not have a material adverse effect on its financial condition.

Note 13 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 67 - "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25" replaces existing standards for financial reporting and note disclosure for most pension plans that are administered through trusts or equivalent arrangements. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning April 1, 2014 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The requirements of this statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning April 2015 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 13 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 69 - "Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards for government mergers, acquisitions and disposals. The statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning April 1, 2014 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 70 - "Accounting and Financial Reporting for Nonexchange Financial Guarantees" improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning April 1, 2014 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" addresses an issue regarding application of the transition provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions." This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this statement are effective for the same period that the Authority implements GASB Statement No. 68. This statement is not expected to have a material effect on the combined statements of the Authority.

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 Authority Members
New York Job Development Authority:

We have audited, 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, the combined financial statements of New York Job Development Authority (the "Authority"), a component unit of the State of New York, which comprise the combined statement of net position as of March 31, 2014, and the related combined statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to combined financial statements, and have issued our report thereon dated June 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Authority'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity's combined 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's combined financial statements are free from 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.

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 results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 16, 2014

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Authority Members
New York Job Development Authority:

Report on Investment Program Compliance

We have audited the New York Job Development Authority's (the "Authority"), a component unit of the State of New York, 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 March 31, 2014.

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 of the Authority'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 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 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 Authority'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 Authority's compliance.

Opinion on Investment Program

In our opinion, the New York Job Development Authority 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 March 31, 2014.

Report on Internal Control Over Compliance

Management of the Authority 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 Authority's internal control over compliance with the types of requirement 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 Authority'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
June 16, 2014