

NEW YORK JOB DEVELOPMENT AUTHORITY

Combined Financial Statements
and Independent Auditors' Report

March 31, 2010 and 2009

NEW YORK JOB DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

The Authority Members
New York Job Development Authority:

We have audited the accompanying combined balance sheets of New York Job Development Authority (a component unit of the State of New York) as of March 31, 2010 and 2009, and the related combined statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Authority's management. 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 audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, financial position of New York Job Development Authority as of March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2010 on our consideration of New York Job Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's discussion and analysis as presented on pages 3 to 8 is not a required part of the basic combined financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Toski, Schaefer & Co, P.C.

Williamsville, New York
May 28, 2010

NEW YORK JOB DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

March 31, 2010 and 2009

Our discussion and analysis of the New York Job Development Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the year ended March 31, 2010. Please read it in conjunction with the Authority's combined financial statements.

Overview

During the year ended March 31, 2010, the Authority's mission continues to be the provision of loans and grants to New York State businesses to expand facilities, build new plants and acquire machinery and equipment. The loan program provides financing to encourage the growth of manufacturing and other private sector business enterprises in the State without requiring appropriation of taxpayers' funds.

Since 1995, the Authority has done business as Empire State Development Corporation ("ESDC") 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 the Empire State Development Corporation, an annual operating transfer to assist in meeting its legal obligations. No assistance was required in the years ended March 31, 2010 and 2009 and no assistance is expected to be required in the next fiscal year.

As a result of the improvements in collections of the reserved loans in the loan portfolio, the absorption of personnel costs by UDC, and the consolidation of the net assets of New York Liberty Development Corporation ("NYLDC") and Brooklyn Arena Local Development Corporation ("BALDC"), the Authority has achieved a net asset balance of \$52.6 million at March 31, 2010. 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 addition, 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 September 2009, the Authority caused the creation of State Asset Maximization Local Development Corporation ("SAMLDC"). SAMLDC has state-wide jurisdiction and was created to act as a clearinghouse and an oversight vehicle, assessing and approving public-private partnership projects proposed by agencies and authorities.

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

A summary of the Authority's financial information as of March 31, 2010 and 2009 and for the years then ended is as follows:

Summary of Balance Sheets

<u>Assets</u>	2010	2009
	(In thousands)	
Cash and equivalents, restricted cash and temporary investments	\$ 73,367	81,539
Loans receivables, net	36,073	41,253
Financing leases, net	13,060	14,298
Other assets	685	984
Total assets	\$ 123,185	138,074
<u>Liabilities and Net Assets</u>		
Liabilities:		
Special purpose bonds	27,903	32,732
Due to New York State Urban Development Corporation	25,185	34,000
Deferred grant revenue	17,180	21,658
Accounts payable and accrued expenses	275	276
Total liabilities	70,543	88,666
Net assets - restricted	52,642	49,408
Total liabilities and net assets	\$ 123,185	138,074

NEW YORK JOB DEVELOPMENT AUTHORITY

Management's Discussion and Analysis, Continued

Summary of Statements of Revenue,
Expenses and Changes in Net Assets

	<u>2010</u>	<u>2009</u>
	(In thousands)	
Operating revenue:		
Loan interest	\$ 3,530	4,416
Grant income	17,410	10,500
Bond and note fee income	1,551	-
Other revenue	<u>354</u>	<u>517</u>
Total operating revenue	<u>22,845</u>	<u>15,433</u>
Operating expenses:		
Interest, principally bonds	1,598	1,776
Amortization of deferred financing costs	105	105
Credit and remarketing fees	156	139
General and administrative	169	202
Grant expenses	17,410	14,000
NYLDC operating expenses	19	-
SAMLDC operating expenses	<u>92</u>	<u>-</u>
Total operating expenses	<u>19,549</u>	<u>16,222</u>
Operating income (loss)	3,296	(789)
Nonoperating revenue	134	835
Nonoperating expenses	<u>(196)</u>	<u>(562)</u>
Excess (deficiency) of revenue over expenses	3,234	(516)
Net assets - restricted at beginning of year	<u>49,408</u>	<u>49,924</u>
Net assets - restricted at end of year	<u>\$ 52,642</u>	<u>49,408</u>

NEW YORK JOB DEVELOPMENT AUTHORITY

Management's Discussion and Analysis, Continued

Liquidity

The Authority's cash and equivalents and investments totaled approximately \$73.4 million and \$81.5 million at March 31, 2010 and 2009, respectively. The decrease is primarily due to an \$8.7 million grant disbursement to the Metropolitan Economic Revitalization Fund and a \$4.7 million debt service disbursement offset by an increase of \$1.0 million related to a fee earned on the sale of Liberty Bonds for the World Trade Center project and a \$4.2 million grant received from the Port Authority of New York and New Jersey for projects through ESLDC, such as the 7th Regiment Armory.

The Authority's loan receivable balance totaled \$36.1 million and \$41.3 million at March 31, 2010 and 2009, respectively. The decrease is primarily due to approximately \$5.6 million in loan collections offset by increases of \$0.1 million of deferred loan income amortization and \$0.3 million in recovery of provision on loan losses.

Approximately 31% of the consolidated net asset 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, 2010 by approximately \$2.6 million, primarily due to the receipt of \$1.0 million in bond fees and a decrease of \$3.4 million in grant disbursements.

Capitalization

As of March 31, 2010, the Authority had approximately \$27.9 million in bonds outstanding. Total debt decreased by approximately \$4.8 million through scheduled maturities of bonds of \$4.7 million (exclusive of approximately \$0.1 million of bond premium amortization).

Investment Ratings

As of March 31, 2010, 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 A	AA-	AA
Special Purpose Fixed Rate Bonds Series '04 B	AA-	AA

Excess of Revenue over Expenses

The excess (deficiency) of revenue over expenses for the fiscal year ended March 31, 2010 amounted to \$3.2 million compared with (\$0.5) million in fiscal 2009. This is primarily due to the receipt of \$1.6 million in bond and note fee income, the reduction of interest and general and administrative expenses in conjunction with the disbursement of a \$3.5 million grant to the World Trade Center Memorial in the previous fiscal year.

NEW YORK JOB DEVELOPMENT AUTHORITY

Management's Discussion and Analysis, Continued

Revenue

Operating revenue approximated \$22.8 million in fiscal 2010 compared to \$15.4 million in fiscal 2009. The increase is primarily due to the receipt of additional Port Authority funding for grants.

Grant income increased by \$6.9 million, primarily within ESLDC, as it funded more projects than were funded in the previous fiscal year. Funding comes from the Port Authority and is immediately expensed. There is no effect on net income. Loan interest decreased by approximately \$0.9 million as rates on the variable loans continued to decrease.

Other revenue decreased by approximately \$0.2 million primarily due to a decrease of \$0.03 million in recovery of provision on loan losses in the fiscal year 2010 and the receipt of a non-recurring \$0.1 million prepayment penalty in the fiscal year ended March 31, 2009.

Bond and note fee income increased by approximately \$1.6 million in the fiscal year ended March 31, 2010 primarily due to the fact that there was a \$1.0 million fee earned on the sale of Liberty Bonds for the World Trade Center project and a \$0.5 million fee earned on the sale of Brooklyn Arena LDC Bonds for the Barclays Center project.

Nonoperating revenue decreased by \$0.7 million in the fiscal year ended March 31, 2010 as a result of a slight decrease in investment income due to the continued decline in short term interest rates throughout the year.

Operating Expenses

Operating expenses for the fiscal year ended March 31, 2010 were \$19.5 million compared with \$16.2 million in the fiscal year ended March 31, 2009. The increase is primarily due to the fact that grant expenses for ESLDC increased by \$6.9 million as more projects were funded than in the previous fiscal year. The expense represents immediate disbursement of funds received from the Port Authority because ESLDC is merely a pass through. There is no effect on net income. In addition, in the previous fiscal year, NYLDC issued a grant to the World Trade Center Memorial in the amount of \$3.5 million.

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

Related bond expenses (credit and remarketing fees) increased by \$0.02 million, primarily due to a slight increase in trustee fees.

General and administrative expenses decreased by \$0.03 million primarily due to a decrease in the amortization of insurance premiums and loan servicing and collection efforts.

NEW YORK JOB DEVELOPMENT AUTHORITY

Management's Discussion and Analysis, Continued

The Authority's financial position remains strong. No assistance has been received from UDC since fiscal year ended March 31, 2004. There was no new loan activity for the fiscal year ended March 31, 2010. There are approximately \$1.4 million in loans approved but not closed. In the coming fiscal year, management does not foresee any events that would have a significant negative effect on the financial position of the Authority.

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 Corporation, 633 Third Avenue, New York, New York 10017.

COMBINED FINANCIAL STATEMENTS

NEW YORK JOB DEVELOPMENT AUTHORITY
 Combined Balance Sheets
 March 31, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and equivalents	\$ 4,734,215	2,480,947
Cash - restricted	108,387	108,075
Temporary investments in marketable securities	68,524,349	78,949,435
Accrued interest receivable	228,314	262,000
Loans receivable, net of allowance of \$8,634,000 in 2010 and \$8,997,000 in 2009	36,073,559	41,253,405
Financing leases, net of allowance of \$782,210 in 2010 and 2009	13,060,030	14,297,840
Deferred financing costs, net of accumulated amortization of \$1,714,600 in 2010 and \$1,449,200 in 2009	447,875	713,244
Prepaid insurance	8,673	8,654
Total assets	<u>\$ 123,185,402</u>	<u>138,073,600</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Special purpose bonds	27,902,634	32,732,195
Due to New York State Urban Development Corporation	25,185,539	33,999,845
Deferred grant revenue	17,180,124	21,657,431
Accounts payable and accrued expenses	275,272	275,770
Total liabilities	70,543,569	88,665,241
Net assets - restricted	52,641,833	49,408,359
Commitments and contingencies (notes 10 and 11)		
Total liabilities and net assets	<u>\$ 123,185,402</u>	<u>138,073,600</u>

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
 Combined Statements of Revenue, Expenses and Changes in Net Assets
 Years ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenue:		
Loan interest	\$ 3,530,497	4,415,478
Grant income	17,409,803	10,500,344
Bond and note fee income	1,551,236	-
Other revenue	<u>353,595</u>	<u>517,034</u>
Total operating revenue	<u>22,845,131</u>	<u>15,432,856</u>
Operating expenses:		
Interest, principally bonds	1,597,582	1,775,450
Amortization of deferred financing costs	105,323	105,323
Credit and remarketing fees	156,344	138,885
General and administrative	169,324	201,877
Grant expenses	17,409,803	14,000,344
NYLDC operating expenses	18,627	200
SAMLDC operating expenses	<u>92,114</u>	<u>-</u>
Total operating expenses	<u>19,549,117</u>	<u>16,222,079</u>
Operating income (loss)	<u>3,296,014</u>	<u>(789,223)</u>
Nonoperating revenue (expenses):		
Investment income, including change in fair value	133,964	835,124
Interest - New York State Urban Development Corporation	<u>(196,504)</u>	<u>(561,699)</u>
Nonoperating revenue, net	<u>(62,540)</u>	<u>273,425</u>
Excess (deficiency) of revenue over expenses	3,233,474	(515,798)
Net assets - restricted at beginning of year	<u>49,408,359</u>	<u>49,924,157</u>
Net assets - restricted at end of year	<u>\$ 52,641,833</u>	<u>49,408,359</u>

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
 Combined Statements of Cash Flows
 Years ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from interest on loans and financing leases	\$ 3,296,942	4,253,342
Cash received from grants	17,409,803	10,500,344
Cash received from bond and related fees	1,018,236	-
Other operating cash receipts	25,644	192,041
Interest paid on bonds payable	(1,556,507)	(1,743,308)
Cash paid for related bond expenses	(156,344)	(138,885)
Cash paid for general and administrative expenses	(25,154)	(9,375)
Cash paid for grants	(17,409,803)	(14,000,344)
Cash paid for NYLDC operating expenses	<u>(18,827)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>2,583,990</u>	<u>(946,185)</u>
Cash flows from noncapital financing activities:		
Special purpose bond retirements	(4,725,000)	(4,880,000)
Advance repayment from UDC for capital project	<u>-</u>	<u>17,000,000</u>
Net cash provided by (used in) noncapital financing activities	<u>(4,725,000)</u>	<u>12,120,000</u>
Cash flows from investing activities:		
Proceeds from sale of temporary investments in marketable securities	467,131,907	208,816,153
Purchase of temporary investments in marketable securities	(456,711,860)	(233,970,175)
Interest on investments	171,185	1,367,935
Principal collected on loans receivable	5,619,280	8,515,291
Principal collected on financing leases	1,393,569	1,509,420
Due to New York State Urban Development Corporation	-	(3,893)
Reduction of Port Authority appropriation for grant disbursements	(17,409,803)	(10,500,344)
Port Authority appropriation received for grants	<u>4,200,000</u>	<u>14,000,000</u>
Net cash provided by (used in) investing activities	<u>4,394,278</u>	<u>(10,265,613)</u>
Net increase in cash and equivalents	2,253,268	908,202
Cash and equivalents at beginning of year	<u>2,480,947</u>	<u>1,572,745</u>
Cash and equivalents at end of year	<u>\$ 4,734,215</u>	<u>2,480,947</u>

(Continued)

See accompanying notes to combined financial statements.

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

	<u>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 3,296,014	(789,223)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Recovery of provision for loss on loans receivable, loan guarantees and financing leases	(327,950)	(324,992)
Operating expenses paid by UDC	222,190	146,205
Due from NYS Urban Development Corp. BALDC	(533,000)	-
Amortization - deferred financing costs	265,369	290,773
Amortization - deferred loan income	(111,483)	(111,483)
Amortization - deferred lease premiums	(155,758)	(167,338)
Amortization - bond premium	(104,561)	(137,741)
Change in:		
Accrued interest receivable	33,686	116,684
Prepaid insurance	(19)	1,480
Accounts payable and accrued expenses	(498)	29,450
Net cash provided by (used in) operating activities	\$ 2,583,990	(946,185)

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY

Notes to Combined Financial Statements

March 31, 2010 and 2009

Note 1 - Corporate Background and Activities

(a) General

New York Job Development Authority (the "Authority" or "JDA"), doing business as the Empire State Development Corporation ("ESDC"), is a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Authority's main function is assisting private sector business expansion and job creation throughout the State. As a public benefit corporation, the Authority is tax exempt. The Authority is a component unit of the State and, as such, its 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 assets of the fund are considered restricted.

The Authority has the power to create local development corporations under Section 1804 of the New York Public Authorities Law and Section 1411 of the New York Not-for-Profit Corporation Law. The Authority has created four Local Development Corporations, the New York Liberty Development Corporation (the "NYLDC"), the Empire State Local Development Corporation (the "ESLDC"), the Brooklyn Arena Local Development Corporation (the "BALDC"), and the State Asset Maximization Local Development Corporation (the "SAMLDC").

JDA substantially controls the operations of the Local Development Corporations. Under Government Accounting Standard Board Statement No. 39 - "The Financial Reporting Entity," NYLDC, ESLDC, BALDC and SAMLDC 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.

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

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority follows enterprise fund reporting, accordingly, the accompanying combined financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Authority complies with all applicable pronouncements of the Governmental Accounting Standards Board (“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) 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.

(c) 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.

(d) Investment Securities

Investment securities consist of temporary investment of available cash and debt service reserve funds in marketable securities. Investment securities are reported at fair value in the combined balance sheets, and investment income, including changes in fair value, is reported as nonoperating revenue in the combined statements of revenue, expenses and changes in net assets.

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.

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

Note 2 - Summary of Significant Accounting Policies, Continued

(e) 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 one to 20 years.

(f) 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.

(g) 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.

(h) Deferred Financing Costs

Financing costs and bond issuance premiums/discounts are deferred and amortized on a straight line basis, which approximates the effective yield method, over the period of the related debt. Loan origination and commitment fees and certain incremental direct loan costs are deferred and amortized over the estimated remaining lives of the related loans using the straight line basis, which approximates the effective yield method.

(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 deferred revenue.

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

(j) Subsequent Events

The Authority has evaluated events after March 31, 2010, and through May 28, 2010, 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.

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 and recorded as expenses when incurred. The summarized balance sheets of NYLDC as of March 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Cash and equivalents	\$ 1,275,562	269,324
Temporary investments in marketable securities	14,923,776	14,911,119
Accounts payable and accrued expenses	-	(200)
Net assets	\$ <u>16,199,338</u>	<u>15,180,243</u>

The summarized statements of revenue and expenses of NYLDC for the years ended March 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Bonds and note fee income	\$ 1,018,236	-
Investment income	19,486	303,393
NYLDC operating expenses	(18,627)	(200)
Grant expenses	-	(3,500,000)
Excess (deficiency) of revenue over expenses	\$ <u>1,019,095</u>	<u>(3,196,807)</u>

During the year ended March 31, 2010 NYLDC issued Liberty bonds in the aggregate face amount of \$2.593 billion on behalf of and for the benefit of 2 World Trade Center LLC, 3 World Trade Center LLC and 4 World Trade Center LLC (collectively, the “Borrowers”). The Bonds were issued to finance a portion of the cost of construction by the Borrowers of one or more buildings known as Towers 2, 3 and 4 at the World Trade Center site in Lower Manhattan. NYLDC did not issue Liberty Bonds and notes during the year ended March 31, 2009.

During the year ended March 31, 2009, NYLDC was given Notice of Default under the Loan Agreement relating to the NYLDC’s Revenue Bonds, Series 2006A in the aggregate amount of \$52 million and Revenue Bonds, Series 2006B (Federally Taxable) in the aggregate amount of \$5 million issued during the year ended March 31, 2007 on behalf and for the benefit of National Sports Attraction, LLC (the “Borrower”). On March 13, 2009, the Borrower filed a Voluntary Petition under Chapter 7 of the Bankruptcy Code.

Since inception, NYLDC has issued an aggregate of \$4.334 billion (at face amount of \$4.185 billion) of Liberty Bonds and \$730 million of taxable notes on behalf of project owners. Liberty 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.

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

Note 3 - Local Development Corporations, Continued

(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 balance sheets of ESLDC as of March 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Cash and equivalents	\$ 1,625,746	819,364
Temporary investments in marketable securities	15,554,378	29,538,067
Due from (to) New York State Urban Development Corporation	-	(8,700,000)
Deferred grant revenue	<u>(17,180,124)</u>	<u>(21,657,431)</u>
Net assets	\$ <u> -</u>	<u> -</u>

The deferred grant revenue represents grant funds received that have not yet been disbursed to the grantee. During the year ended March 31, 2009, UDC repaid \$17 million to ESLDC for payment required in connection with the acquisition of the Farley Building in relation to the development of Moynihan Station. At March 31, 2009, ESLDC held funds related to UDC grants amounting to \$8.7 million. No funds were held by ESLDC at March 31, 2010. The summarized statements of revenue and expenses of ESLDC for the years ended March 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Grant revenue	\$ 17,409,803	10,500,344
Grant expenses	<u>(17,409,803)</u>	<u>(10,500,344)</u>
Excess of revenue over expenses	\$ <u> -</u>	<u> -</u>

(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 conduit for the issuance of both taxable and tax exempt bonds to finance the construction and related cost of the Arena. The summarized balance sheet of BALDC at March 31, 2010 is as follows:

Due from New York State Urban Development Corporation	\$ 533,000
Liabilities	<u> -</u>
Net assets	\$ <u>533,000</u>

The summarized statement of revenue and expenses of BALDC for the year ended March 31, 2010 is as follows:

Bonds and note fee income	\$ 533,000
Expenses	<u> -</u>
Excess of revenue over expenses	\$ <u>533,000</u>

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

Note 3 - Local Development Corporations, Continued

(c) Brooklyn Arena Local Development Corporation, Continued

During the year ended March 31, 2010, BALDC issued Brooklyn Arena LDC Bonds in the aggregate face amount of \$511 million (at an issue price of \$507 million) on behalf of and for the benefit of the Barclays Center Project. BALDC received \$533,000 in fees in connection with the Series 2009 bond issuance. BALDC bonds will be repaid from payment-in-lieu-of tax and rental payments made by the Arena developer. JDA, ESDC, and the State will have no liability for the BALDC bonds.

(d) State Asset Maximization Local Development Corporation

In September 2009, the Authority caused the creation of State Asset Maximization Local Development Corporation ("SAMLDC"). SAMLDC has state-wide jurisdiction and was created to act as a clearing house and an oversight vehicle, assessing and approving public-private partnership projects proposed by agencies and authorities. The summarized balance sheet of SAMLDC at March 31, 2010 is as follows:

Prepaid insurance	\$ 40
Due to New York State Urban Development Corporation	(77,116)
Accounts payable and accrued expenses	(15,038)
Net assets	\$ <u>(92,114)</u>

The summarized statement of revenue and expenses of SAMLDC for the year ended March 31, 2010 is as follows:

SAMLDC operating revenue	\$ -
SAMLDC operating expenses	(92,114)
Excess of revenue over expenses	\$ <u>(92,114)</u>

Note 4 - Liquidity and Restructuring

In October 1996, UDC completed a refunding of its outstanding general purpose bonds. UDC is required to utilize the savings generated from this refunding as provided in Section 103 of Chapter 309 of the Laws of 1996 (the "Act") to pay the lawfully incurred debts and obligations of JDA. UDC is directed to the extent of the net savings, as defined in the Act, to make such payments on behalf of the State of New York as provided in the Act. There were no payments to JDA from UDC during the years ended March 31, 2010 and 2009. It is not anticipated that JDA will require any funds from UDC during the year ending March 31, 2011.

As a public unit of the State of New York, NYJDA receives up to \$250,000 FDIC coverage each for the aggregate of all interest-bearing accounts and unlimited FDIC coverage on all non-interest bearing accounts held in a single financial institution located in the same state as NYJDA. At March 31, 2010 and 2009, all of NYJDA's bank balances were fully collateralized.

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

Note 5 - Temporary and Debt Service Reserve Fund Investments

Financial 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;
- Collateralized investments, which are fully secured as to principal by U.S. Treasury securities and obligations of the U.S. Government, with financial institutions which meet specified criteria;
- 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; and
- 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.

Temporary and debt service reserve fund investments at March 31, 2010 and 2009 consist of the following:

	2010		2009	
	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>	<u>Market value</u>
U.S. Government and Federal				
Agency obligations	\$ 68,512,000	68,524,349	27,427,820	27,449,139
Commercial paper	-	-	17,000,047	17,000,047
Repurchase agreements	-	-	34,500,125	34,500,249
	\$ 68,512,000	68,524,349	78,927,992	78,949,435

Fair Value Measurements

The Financial Accounting Standards Board established a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 are assets and liabilities whose inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

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

Note 5 - Temporary and Debt Service Reserve Fund Investments, Continued

The following represents the Authority's fair value hierarchy for the financial assets measured at fair value on a recurring basis at March 31, 2010 and 2009:

	<u>Fair Value Measurements at March 31, 2010 Using</u>	
	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)
U.S. Government and Federal Agency obligations	\$ <u>68,524,349</u>	<u>68,524,349</u>
	<u>Fair Value Measurements at March 31, 2009 Using</u>	
	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)
U.S. Government and Federal Agency obligations	\$ 27,449,139	27,449,139
Commercial paper	17,000,047	17,000,047
Repurchase agreements	<u>34,500,249</u>	<u>34,500,249</u>
	\$ <u>78,949,435</u>	<u>78,949,435</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, 2010 were as follows:

2011	\$ 2,187,649
2012	2,214,941
2013	2,089,454
2014	1,917,652
2015	1,986,674
Thereafter	<u>8,552,858</u>
	18,949,228
Less:	
Portion attributable to interest	(5,106,988)
Allowance for possible credit losses	<u>(782,210)</u>
Total	\$ <u>13,060,030</u>

NEW YORK JOB DEVELOPMENT AUTHORITY

Notes to Combined Financial Statements, Continued

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, 2010, with comparative totals for the year ended March 31, 2009, is as follows (in thousands):

	Allowances for losses on				
	<u>Loans</u>	<u>Financing leases</u>	<u>Loan guarantees</u>	<u>Totals</u>	
				<u>2010</u>	<u>2009</u>
Beginning balances	\$ 8,997	782	-	9,779	10,104
Net provisions (reductions)	(328)	-	-	(328)	(325)
Write-offs	(35)	-	-	(35)	-
Ending balances	<u>\$ 8,634</u>	<u>782</u>	<u>-</u>	<u>9,416</u>	<u>9,779</u>

Note 8 - Special Purpose Bonds Payable

The principal amount of special purpose bonds outstanding as of March 31, 2010 and 2009 is as follows (in thousands):

	<u>2010</u>	<u>2009</u>	<u>Coupon rate percentage</u>	<u>Maturity date</u>
Fixed rate special purpose bonds:				
2004 Series A	\$ 12,310	17,035	3.60 - 5.00	2011 - 2013
2004 Series B	<u>15,435</u>	<u>15,435</u>	<u>5.06 - 5.41</u>	<u>2014 - 2018</u>
	27,745	32,470		
Add unamortized bond premium	<u>158</u>	<u>262</u>		
Total	<u>\$ 27,903</u>	<u>32,732</u>		

The maturities of special purpose bonds outstanding (in thousands) for the five years following March 31, 2010 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,525	1,384	5,909
2012	4,280	1,172	5,452
2013	3,505	976	4,481
2014	3,090	808	3,898
2015	<u>3,090</u>	<u>652</u>	<u>3,742</u>
	<u>\$ 18,490</u>	<u>4,992</u>	<u>23,482</u>

NEW YORK JOB DEVELOPMENT AUTHORITY

Notes to Combined Financial Statements, Continued

Note 8 - Special Purpose Bonds Payable, Continued

Aggregate principal maturities subsequent to 2015 are approximately \$9.3 million. The Authority has the option, in some cases, to retire bonds prior to maturity as stipulated in the respective debt agreements. Each series of bonds is issued pursuant to a separate trust indenture.

Certain bond issues give the bondholder the option of electing early redemption. The Authority has entered into letters and lines of credit arrangements with financial institutions to provide liquidity in the event of the inability to remarket the variable rate tax exempt bonds.

No commercial paper was outstanding at March 31, 2010 and 2009. 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, 2010 the total amount of unused letters of credit was \$35 million.

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, 2010 and 2009, 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 \$342,000 and \$708,000 during the years ended March 31, 2010 and 2009, respectively. The balance due at March 31, 2010 and 2009, excluding grant funds held by the Authority amounted to \$25,641,423 and \$25,299,845, 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 fifteen fiscal years and amounts to approximately \$7,204,000 at March 31, 2010. Also, included in the total amount due to (from) UDC is (\$0.5) million and \$8.7 million at March 31, 2010 and 2009, respectively, related to grant funds held by the Authority for UDC related grants for which there is no interest calculated. In fiscal year 2010, BALDC bond fees were temporarily deposited to a UDC cash account.

Note 10 - Commitments

Special Purpose Fund loans approved by the Authority, but not yet closed, approximated \$1.4 million at March 31, 2010.

Note 11 - 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.

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

Note 12 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 51 - "Accounting and Financial Reporting for Intangible Assets," establishes accounting and financial reporting requirements for intangible assets in an effort to reduce inconsistencies in accounting and financial reporting of intangible assets. The requirements of the Statement are effective for periods beginning after June 15, 2009, which is the fiscal year beginning April 1, 2010 for the Authority. This Statement is not expected to have a material effect on the future combined financial statements of the Authority.

GASB Statement No. 53 - "Accounting and Financial Reporting for Derivative Instruments," addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments, and requires governments to test the effectiveness of derivative instruments, and record ineffective derivative instruments at fair value. The requirements of the Statement are effective for periods beginning after June 15, 2009, which is the fiscal year beginning April 1, 2010 for the Authority. Based on current investment policy, this statement is not expected to have a material effect on the future combined financial statements of the Authority, however, derivatives have been used by the Authority in the past, and may be again in the future.

GASB Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions," enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. The requirements of the Statement are effective for periods beginning after June 15, 2010, which is the fiscal year beginning April 1, 2011 for the Authority. Management has not yet determined the effect that this statement will have on the future combined financial statements of the Authority.

GASB Statement No. 57 - "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," amends GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," to allow agent employers that have individual employer OPEB plans, with less than 100 plan members to use the alternate measurement method, regardless of the total number of plan members in the multiple-employer OPEB plan in which it participates. The requirements of this statement are effective for periods beginning after June 15, 2011, which is the fiscal year beginning April 1, 2012 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 58 - "Accounting and Financial Reporting for Chapter 9 Bankruptcies" provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy. The requirements of the Statement are effective for periods beginning after June 15, 2009, which is the fiscal year beginning April 1, 2010 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

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

The Authority Members
New York Job Development Authority:

We have audited the combined financial statements of New York Job Development Authority (the "Authority") as of and for the year ended March 31, 2010, and have issued our report thereon dated May 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Investment Guidelines for Public Authorities issued by the New York State Office of the State Comptroller.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the Authority and the New York State Office of State Comptroller, and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co. P.C.

Williamsville, New York
May 28, 2010