

Hudson Yards Infrastructure Corporation

(A Component Unit of the City of New York)

Financial Statements

(Together with Independent Auditors' Report)

June 30, 2025 and 2024

HUDSON YARDS INFRASTRUCTURE CORPORATION
(A Component Unit of the City of New York)

Financial Statements

(Together with Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hudson Yards Infrastructure Corporation:

Opinions

We have audited the financial statements of the governmental activities and governmental funds of Hudson Yards Infrastructure Corporation (HYIC), a component unit of The City of New York, as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise HYIC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and governmental funds of HYIC as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HYIC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HYIC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that included our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HYIC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HYIC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Prior Period Financial Statements

The financial statements of HYIC as of June 30, 2024 were audited by other auditors whose report on September 30, 2024, expressed an unmodified opinion on those statements.

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 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2025 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 solely 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 effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 25, 2025

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025 AND 2024 (unaudited)

Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of Hudson Yards Infrastructure Corporation ("HYIC") as of June 30, 2025 and 2024, and for the years then ended. It should be read in conjunction with HYIC's government-wide financial statements, governmental funds financial statements, and the notes to the financial statements. The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements; and (4) the notes to the financial statements.

The government-wide financial statements, which include the statements of net position (deficit) and the statements of activities, are presented to display information about HYIC as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of HYIC's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

HYIC's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable.

The reconciliations of the governmental funds balance sheets to the statements of net position (deficit) and reconciliations of the governmental funds statements of revenues, expenditures, and changes in fund balances to the statements of activities are presented to assist the reader in understanding the differences between government-wide and governmental funds financial statements.

Organizational Overview

HYIC's purpose is the financing of certain infrastructure improvements in the Hudson Yards Financing District on the West Side of Manhattan (the "Project"). HYIC does not engage in the development directly, but finances the development which is managed by Hudson Yards Development Corporation ("HYDC") and carried out by existing public entities. The Project is in an area generally bounded by Seventh and Eighth Avenues on the east, West 43rd Street on the north, Twelfth Avenue on the west, and West 29th and 30th Streets on the south (the "Project Area"). The Project consists of: (1) design and construction of an extension of the No. 7 Subway from Seventh Avenue and 41st Street to Eleventh Avenue and West 34th Street (the "Subway Extension"), (2) acquisition from the Metropolitan Transportation Authority ("MTA") of certain transferable development rights ("TDRs") over its rail yards between Tenth and Eleventh Avenues and between West 30th and West 33rd Streets ("Eastern Rail Yards" or "ERY"), (3) construction of a system of parks, public open spaces, and streets in the Project Area ("Public Amenities") and (4) property acquisition for the Project. The Subway Extension began service in September 2015 and the construction of a portion of Hudson Park and Boulevard was completed and opened to the public in August 2015.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024 (unaudited) (continued)

Organizational Overview (continued)

HYIC fulfills its purpose through borrowing to finance the Project and the collection of revenues to support its operations and service its debt. HYIC revenues include: (1) Interest Support Payments ("ISP") made by the City of New York (the "City") under the terms of the Amended and Restated Support and Development Agreement and the Additional Borrowing Hudson Yards Support Agreement (together the "Agreement") that obligates the City to pay to HYIC, subject to annual appropriation, ISPs on up to \$3.4 billion of HYIC debt in an amount equal to the difference between the amount of funds available to HYIC to pay interest on such debt and the amount of interest due on such debt; (2) payments in lieu of real estate taxes ("PILOT") that have been assigned to HYIC under agreements with the New York City Industrial Development Agency ("IDA"), the City, and the MTA, and that are to be made in accordance with agreements between developers and the IDA and others ("PILOT Agreements"); (3) Tax Equivalency Payments ("TEP") made by the City under the terms of the Agreement, which obligates the City to pay to HYIC, subject to annual appropriation, the amount of real property taxes collected by the City on new development (including substantial rehabilitation of existing buildings) in the Project Area; (4) District Improvement Bonuses ("DIB") paid by private developers in exchange for the right to create additional density in the Project Area; and (5) payments in lieu of the mortgage recording tax ("PILOMRT") required to be made by private developers entering into PILOT Agreements. PILOT Agreements that are entered into by developers are done so because PILOT payments during the first 19 years are substantially lower than the real estate taxes that would otherwise be due. HYIC has not received ISP since Fiscal Year 2015 and does not expect to need ISP in the future. Application of revenues, transfers of funds, and payments are done in accordance with the terms of the Trust Indenture between HYIC and US Bank dated December 1, 2006, as amended (the "First Indenture"), the Second Trust Indenture dated May 1, 2017, (the "Second Indenture") and Third Supplemental Trust Indenture dated February 1, 2019 (the "Third Indenture"), collectively, the ("Indentures").

HYIC initially financed the Project through the issuance of \$2 billion of Fiscal 2007 Series A Senior Revenue Bonds ("FY07 Bonds") on December 21, 2006, and \$1 billion of Fiscal 2012 Series A Senior Revenue Bonds ("FY12 Bonds") on October 26, 2011.

On May 30, 2017, HYIC issued \$2.1 billion Fiscal Year 2017 Series A Subordinate Bonds and \$33.3 million Series B Subordinate Bonds (together known as "FY17 Bonds") under the Second Indenture. Proceeds of the FY17 Bonds were applied, with other available funds, to refund all of the FY07 Bonds and \$391 million of the FY12 Bonds. This refinancing caused the remaining First Indenture Bonds to be amortized on a substantially level debt service basis to maturity in 2047 through annual sinking fund installments.

On February 1, 2019, HYIC entered into a Term Loan Agreement ("Loan") which presently provides up to \$380 million to finance additional infrastructure projects in the Project Area. The Loan was extended in June 2022 to a scheduled expiration date of June 30, 2027. As of June 30, 2025 and 2024, the Loan had an outstanding balance of \$108.5 million and \$90.1 million, respectively.

On October 27, 2021, HYIC issued \$454 million Fiscal Year 2022 Series A Bonds ("FY22 Bonds") under the Second Indenture. Proceeds of the FY22 Bonds were applied, with other available funds, to refund all of the outstanding FY12 Bonds. As a result of this transaction, HYIC reduced its debt service by \$269 million and obtained an economic benefit of \$212 million.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024 (unaudited) (continued)

Financial Highlights and Overall Analysis — Government-Wide Financial Statements

The following summarizes the activities of HYIC for the years ended June 30,

	2025	2024	2023	Variance	
				2025 vs 2024	2024 vs 2023
			(in thousands)		
Revenues:					
Program revenue	\$ 489,516	\$ 408,290	\$ 338,971	\$ 81,226	\$ 69,319
Other revenue	34,942	34,803	17,674	139	17,129
Total revenues	524,458	443,093	356,645	81,365	86,448
Expenses:					
Project	113,285	26,184	62,060	87,101	(35,876)
Interest expenses	95,162	95,446	95,603	(284)	(157)
Payments to the City of New York	394,000	325,000	200,000	69,000	125,000
Arbitrage rebate	175	-	-	175	-
General and administrative	1,326	1,396	1,523	(70)	(127)
Total expenses	603,948	448,026	359,186	155,922	88,840
Change in net position (deficit)	(79,490)	(4,933)	(2,541)	(74,557)	(2,392)
Net position (deficit) - beginning of year	(2,432,223)	(2,427,290)	(2,424,749)	(4,933)	(2,541)
Net position (deficit) - end of year	\$ (2,511,713)	\$ (2,432,223)	\$ (2,427,290)	\$ (79,490)	\$ (4,933)

Program revenue consists of recurring revenues of PILOT and TEP payments and non-recurring revenues of DIB and PILOMRT. These amounts fluctuate each year as the payments are mainly based on developers entering into new agreements, property assessments, and construction completion. Other revenue is primarily composed of: 1) IDA fees that fluctuate based on IDA agreements entered into by developers, and 2) investment income which fluctuates based on the balance of cash holdings, interest rates, and market conditions. All investments held by HYIC are expected to be held to maturity and, as such, will not realize any losses on market valuations.

Project expenses fluctuate each year based on timing, progress of construction, and final closeout of project expenses. In fiscal year 2025, project expenses increased \$87 million primarily due to an increase in the estimated liability for condemnation expenses compared to fiscal year 2024. In fiscal year 2024, project expenses decreased \$36 million primarily due to a decrease in the estimated liability for condemnation expenses compared to fiscal year 2023. In fiscal year 2023, the City condemned and acquired nine property interests for Phase II of the Hudson Yards Project under the principles of eminent domain. The property acquisition caused an increase of \$57 million in project expenses in fiscal year 2023.

Payments to the City fluctuate each year depending on surplus funds available to transfer to the City in accordance with the Indentures.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024 (unaudited) (continued)

Financial Highlights and Overall Analysis — Government-Wide Financial Statements (continued)

The following summarizes HYIC's assets, liabilities and net position (deficit) as of June 30,

	2025	2024	2023	Variance	
				2025 vs 2024	2024 vs 2023
			(in thousands)		
Assets:					
Non-capital	\$ 544,183	\$ 575,906	\$ 601,711	\$ (31,723)	\$ (25,805)
Total assets	544,183	575,906	601,711	(31,723)	(25,805)
Liabilities:					
Current liabilities	200,107	97,466	150,069	102,641	(52,603)
Long-term liabilities	2,699,991	2,759,215	2,748,223	(59,224)	10,992
Total liabilities	2,900,098	2,856,681	2,898,292	43,417	(41,611)
Deferred inflows of resources:					
Prepaid PILOT	131,364	125,850	103,947	5,514	21,903
Unamortized deferred bond refunding costs	24,434	25,598	26,762	(1,164)	(1,164)
Total deferred inflows of resources	155,798	151,448	130,709	4,350	20,739
Net position (deficit):					
Unrestricted	(2,511,713)	(2,432,223)	(2,427,290)	(79,490)	(4,933)
Total net position (deficit)	\$ (2,511,713)	\$ (2,432,223)	\$ (2,427,290)	\$ (79,490)	\$ (4,933)

Assets fluctuate each year depending on revenue collections retained by HYIC. The capital assets financed by HYIC are not owned by HYIC; therefore, they do not appear on the financial statements of HYIC (see Note 2).

The increase in current liabilities in fiscal year 2025 compared to fiscal year 2024 was primarily due to the payments on Phase II property acquisitions costs previously discussed. The decrease in long-term liabilities in fiscal year 2025 compared to fiscal year 2024 was primarily due to scheduled principal payments and amortization of bond premium offset by the drawdown of the construction loan for Phase II projects. The decrease in current liabilities in fiscal year 2024 compared to fiscal year 2023 was primarily due to the payments on Phase II property acquisitions costs previously discussed. The increase in long-term liabilities in fiscal year 2024 was primarily due to drawdown of additional construction loan for Phase II projects.

PILOT payments received for assessments owed in the following fiscal years are treated as prepaid amounts and reported as deferred inflows of resources. The deferred bond refunding costs resulted from the bond refunding transaction and represent the difference between removing the carrying amount of the refunded bonds and recording the refunding bonds. Such amount declines each year as the amount is amortized over the life of the bonds.

The large negative unrestricted net position (deficit) balances at June 30, 2025, 2024, and 2023 were primarily due to outstanding bonds that will be repaid from future revenues.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024 (unaudited) (continued)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements

HYIC reports governmental activity using three funds: (1) a general fund ("GF"), (2) a debt service fund ("DSF"), and (3) a capital projects fund ("CPF").

The following summarizes the changes in the GF balances for the years ended June 30,

	2025	2024	2023	Variance	
				2025 vs 2024	2024 vs 2023
			(in thousands)		
Revenues:					
Program revenue	\$ 239	\$ 531	\$ 764	\$ (292)	\$ (233)
Investment income	29,494	28,234	10,808	1,260	17,426
Total revenues	29,733	28,765	11,572	968	17,193
Expenditures	395,326	326,396	201,523	68,930	124,873
Other financing sources (uses)	276,898	247,677	483,235	29,221	(235,558)
Net change in fund balances	(88,695)	(49,954)	293,284	(38,741)	(343,238)
Fund balance - beginning of year	418,192	468,146	174,862	(49,954)	293,284
Fund balance - end of year	<u>\$ 329,497</u>	<u>\$ 418,192</u>	<u>\$ 468,146</u>	<u>\$ (88,695)</u>	<u>\$ (49,954)</u>

The amount of program revenue deposited in the GF was based on the difference between projected administrative expenditures and cash on hand needed to fund those expenditures.

Operating expenditures in fiscal years 2025, 2024, and 2023 included payments of surplus revenues to the City of \$394 million, \$325 million, and \$200 million, respectively. These amounts fluctuate, as previously discussed.

Other financing sources (uses) primarily consists of transfers of Second Indenture surplus funds from the DSF to the GF. These amounts fluctuate, as previously discussed.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024 (unaudited) (continued)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the changes in the DSF balances for the years ended June 30,

	2025	2024	2023	Variance	
				2025 vs 2024	2024 vs 2023
			(in thousands)		
Revenues:					
Program revenue	\$ 489,288	\$ 407,759	\$ 338,207	\$ 81,529	\$ 69,552
Investment income	5,437	6,569	6,866	(1,132)	(297)
Total revenues	494,725	414,328	345,073	80,397	69,255
Expenditures	165,373	163,495	161,978	1,878	1,517
Other financing sources (uses)	(277,886)	(248,558)	(486,389)	(29,328)	237,831
Net change in fund balances	51,466	2,275	(303,294)	49,191	305,569
Fund balance - beginning of year	31,642	29,367	332,661	2,275	(303,294)
Fund balance - end of year	\$ 83,108	\$ 31,642	\$ 29,367	\$ 51,466	\$ 2,275

Program revenue was greater in fiscal year 2025 when compared to fiscal years 2024 and 2023 due to increased collections, as previously discussed.

Expenditures during fiscal years 2025, 2024 and 2023 mainly comprised bond principal and interest payments.

Other financing sources (uses) in fiscal years 2025, 2024, and 2023 mainly consist of transfers of Second Indenture surplus funds from the DSF to the GF, as previously discussed.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024 (unaudited) (continued)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the changes in the CPF balances for the years ended June 30,

	2025	2024	2023	Variance	
			(in thousands)	2025 vs 2024	2024 vs 2023
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Project costs	23,409	22,665	62,060	744	(39,395)
Other financing sources (uses)	19,380	80,381	9,324	(61,001)	71,057
Net change in fund balances	(4,029)	57,716	(52,736)	(61,745)	110,452
Fund balance - beginning of year	(1,829)	(59,545)	(6,809)	57,716	(52,736)
Fund balance - end of year	<u>\$ (5,858)</u>	<u>\$ (1,829)</u>	<u>\$ (59,545)</u>	<u>\$ (4,029)</u>	<u>\$ 57,716</u>

Project expenditures fluctuate each year based on the timing and progress of construction. The large increase in fiscal year 2023 was due to the Phase II property acquisitions previously discussed.

Other financing sources (uses) during fiscal years 2025, 2024, and 2023 mainly reflect the draw of construction loan proceeds.

The negative fund balance at fiscal year-end 2025, 2024, and 2023 represents estimated project expenditures incurred that have not been paid. Upon receipt and verification of invoices, the expenditures will be paid from loan proceeds when drawn.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024 (unaudited) (continued)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the GF assets, liabilities, and fund balances as of June 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2025 vs 2024</u>	<u>2024 vs 2023</u>
			(in thousands)		
Assets:					
Unrestricted cash equivalents and investments	\$ 329,210	\$ 417,307	\$ 467,967	\$ (88,097)	\$ (50,660)
Other receivables	501	1,107	430	(606)	677
Total assets	<u>329,711</u>	<u>418,414</u>	<u>468,397</u>	<u>(88,703)</u>	<u>(49,983)</u>
Liabilities	<u>214</u>	<u>222</u>	<u>251</u>	<u>(8)</u>	<u>(29)</u>
Fund Balances:					
Unassigned	<u>329,497</u>	<u>418,192</u>	<u>468,146</u>	<u>(88,695)</u>	<u>(49,954)</u>
Total fund balances	<u>329,497</u>	<u>418,192</u>	<u>468,146</u>	<u>(88,695)</u>	<u>(49,954)</u>
Total liabilities and fund balances	<u>\$ 329,711</u>	<u>\$ 418,414</u>	<u>\$ 468,397</u>	<u>\$ (88,703)</u>	<u>\$ (49,983)</u>

The GF assets mainly comprise transfers of Second Indenture surplus funds from the DSF to the GF, which fluctuates each year, as previously discussed.

The following summarizes the DSF assets, liabilities, and fund balances as of June 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2025 vs 2024</u>	<u>2024 vs 2023</u>
			(in thousands)		
Assets:					
Restricted cash equivalents and investments	\$ 214,259	\$ 157,096	\$ 133,216	\$ 57,163	\$ 23,880
Interest and other receivables	213	396	98	(183)	298
Total assets	<u>214,472</u>	<u>157,492</u>	<u>133,314</u>	<u>56,980</u>	<u>24,178</u>
Deferred inflows of resources:					
Prepaid PILOT	<u>131,364</u>	<u>125,850</u>	<u>103,947</u>	<u>5,514</u>	<u>21,903</u>
Fund balances:					
Restricted	<u>83,108</u>	<u>31,642</u>	<u>29,367</u>	<u>51,466</u>	<u>2,275</u>
Total fund balances	<u>83,108</u>	<u>31,642</u>	<u>29,367</u>	<u>51,466</u>	<u>2,275</u>
Total deferred inflows of resources and fund balances	<u>\$ 214,472</u>	<u>\$ 157,492</u>	<u>\$ 133,314</u>	<u>\$ 56,980</u>	<u>\$ 24,178</u>

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024 (unaudited) (continued)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements (continued)

The change in total assets between fiscal years is generally based on the difference between the collections of revenue and amounts retained for debt service.

HYIC received PILOT payments for assessments attributable to the next fiscal year; the prepaid amount is reported as deferred inflows of resources.

The following summarizes the CPF assets, liabilities, and fund balances as of June 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2025 vs 2024</u>	<u>2024 vs 2023</u>
			(in thousands)		
Assets:					
Restricted cash equivalents and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	-	-	-	-	-
Liabilities:					
Project costs payable	5,858	1,829	59,545	4,029	(57,716)
Total liabilities	5,858	1,829	59,545	4,029	(57,716)
Fund balances (deficit):					
Unassigned	(5,858)	(1,829)	(59,545)	(4,029)	57,716
Total fund balances (deficit)	(5,858)	(1,829)	(59,545)	(4,029)	57,716
Total liabilities and fund balances (deficit)	\$ -	\$ -	\$ -	\$ -	\$ -

The negative fund balances at fiscal year-ends 2025, 2024, and 2023 reflects estimated Project expenditures incurred, but not paid, as previously discussed.

Economic Outlook

In August 2021, Fitch revised their outlook to stable on HYIC debt. In connection with the refunding undertaken in October 2021, Moody's, S&P Global, and Fitch raised their ratings on Second Indenture debt (which became the senior lien, as discussed earlier) to Aa2, AA-, and A+, respectively, with S&P Global assigning a positive outlook. In May 2022, Fitch also revised the outlook to positive on HYIC debt. On February 17, 2023, Fitch upgraded their rating on HYIC from A+ to AA-. On September 26, 2023, S&P Global raised their rating on HYIC from AA- to AA.

This financial report is designed to provide a general overview of HYIC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Investor Relations, Hudson Yards Infrastructure Corporation, 255 Greenwich Street, New York, NY 10007.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
	(in thousands)	
ASSETS:		
Unrestricted cash equivalents	\$ 68,826	\$ 73,696
Restricted cash equivalents	134,238	157,096
Unrestricted investments	260,384	343,611
Restricted investments	80,021	-
Interest receivable	678	1,467
Other receivables	36	36
	<u>544,183</u>	<u>575,906</u>
Total assets		
LIABILITIES:		
Project costs payable	3,834	1,034
Accounts payable	214	222
Grant due to HYDC	2,024	795
Arbitrage rebate liability	175	-
Accrued bond interest payable	41,910	42,806
Contingent liabilities	93,395	3,519
Long-term debt:		
Portion due within one year	58,555	49,090
Portion due after one year	2,699,991	2,759,215
	<u>2,900,098</u>	<u>2,856,681</u>
Total liabilities		
DEFERRED INFLOWS OF RESOURCES:		
Prepaid PILOT	131,364	125,850
Unamortized gain on refunding	24,434	25,598
	<u>155,798</u>	<u>151,448</u>
Total deferred inflows of resources		
NET POSITION (DEFICIT):		
Unrestricted (deficit)	<u>(2,511,713)</u>	<u>(2,432,223)</u>
	<u>\$ (2,511,713)</u>	<u>\$ (2,432,223)</u>
Total net position (deficit)		

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
	(in thousands)	
REVENUES:		
District improvement bonus revenue	\$ -	\$ 6,534
Tax equivalency payment revenue	187,038	189,270
PILOMRT revenue	44,884	5,000
PILOT revenue	257,594	207,486
Other revenue	11	-
Investment income	<u>34,931</u>	<u>34,803</u>
Total revenues	<u>524,458</u>	<u>443,093</u>
EXPENSES:		
Project - land acquisition and public amenities	104,928	17,986
Project - transfer to HYDC	988	878
Grant to HYDC	7,369	7,320
Interest expenses	95,162	95,446
Payments to The City of New York	394,000	325,000
Arbitrage rebate	175	-
General and administrative	<u>1,326</u>	<u>1,396</u>
Total expenses	<u>603,948</u>	<u>448,026</u>
CHANGE IN NET POSITION	(79,490)	(4,933)
NET POSITION (DEFICIT) - beginning of year	<u>(2,432,223)</u>	<u>(2,427,290)</u>
NET POSITION (DEFICIT) - end of year	<u><u>\$ (2,511,713)</u></u>	<u><u>\$ (2,432,223)</u></u>

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

GOVERNMENTAL FUNDS BALANCE SHEET AS OF JUNE 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
	(in thousands)			
ASSETS:				
Unrestricted cash equivalents	\$ 68,826	\$ -	\$ -	\$ 68,826
Restricted cash equivalents	-	134,238	-	134,238
Unrestricted investments	260,384	-	-	260,384
Restricted investments	-	80,021	-	80,021
Interest receivable	465	213	-	678
Other receivables	36	-	-	36
Total assets	\$ 329,711	\$ 214,472	\$ -	\$ 544,183
LIABILITIES:				
Project costs payable	\$ -	\$ -	\$ 3,834	\$ 3,834
Accounts payable	214	-	-	214
Grant due to HYDC	-	-	2,024	2,024
Total liabilities	214	-	5,858	6,072
DEFERRED INFLOWS OF RESOURCES:				
Prepaid PILOT	-	131,364	-	131,364
Total deferred inflows of resources	-	131,364	-	131,364
FUND BALANCES (DEFICIT):				
Restricted for:				
Debt service	-	83,108	-	83,108
Unassigned	329,497	-	(5,858)	323,639
Total fund balances (deficit)	329,497	83,108	(5,858)	406,747
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 329,711	\$ 214,472	\$ -	\$ 544,183

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

GOVERNMENTAL FUNDS BALANCE SHEET AS OF JUNE 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
	(in thousands)			
ASSETS:				
Unrestricted cash equivalents	\$ 73,696	\$ -	\$ -	\$ 73,696
Restricted cash equivalents	-	157,096	-	157,096
Unrestricted investments	343,611	-	-	343,611
Interest receivable	1,071	396	-	1,467
Other receivables	36	-	-	36
Total assets	<u>\$ 418,414</u>	<u>\$ 157,492</u>	<u>\$ -</u>	<u>\$ 575,906</u>
LIABILITIES:				
Project costs payable	\$ -	\$ -	\$ 1,034	\$ 1,034
Accounts payable	222	-	-	222
Grant due to HYDC	-	-	795	795
Total liabilities	<u>222</u>	<u>-</u>	<u>1,829</u>	<u>2,051</u>
DEFERRED INFLOWS OF RESOURCES:				
Prepaid PILOT	-	125,850	-	125,850
Total deferred inflows of resources	<u>-</u>	<u>125,850</u>	<u>-</u>	<u>125,850</u>
FUND BALANCES (DEFICIT):				
Restricted for:				
Debt service	-	31,642	-	31,642
Unassigned	418,192	-	(1,829)	416,363
Total fund balances (deficit)	<u>418,192</u>	<u>31,642</u>	<u>(1,829)</u>	<u>448,005</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 418,414</u>	<u>\$ 157,492</u>	<u>\$ -</u>	<u>\$ 575,906</u>

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
	(in thousands)	
Total fund balances - governmental funds	\$ 406,747	\$ 448,005
Amounts reported for governmental activities in the statements of net position (deficit) are different because:		
Bond premiums are reported as other financing sources in the governmental funds financial statements when received. However, in the statements of net position (deficit), bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(237,404)	(256,465)
The governmental funds financial statements recognize refunding bond proceeds and payments to the refunding escrow agent in the year the refunding occurs, however, in the statements of net position (deficit), the gain or loss as a result of the refunding is deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	(24,434)	(25,598)
Some liabilities are not due and payable in the current period from currently available financial resources and are therefore not reported in the governmental funds financial statements, but are reported in the statements of net position (deficit). Those liabilities are:		
Bonds payable	(2,412,620)	(2,461,710)
Accrued bond interest payable	(41,910)	(42,806)
Arbitrage rebate	(175)	-
Construction loan	(108,522)	(90,130)
Contingent liabilities	(93,395)	(3,519)
Net position (deficit) - governmental activities	<u>\$ (2,511,713)</u>	<u>\$ (2,432,223)</u>

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
	(in thousands)			
REVENUES:				
Tax equivalency payment revenue	\$ 239	\$ 186,799	\$ -	\$ 187,038
PILOMRT revenue	-	44,884	-	44,884
PILOT revenue	-	257,594	-	257,594
Other revenue	-	11	-	11
Investment income	29,494	5,437	-	34,931
Total revenues	29,733	494,725	-	524,458
EXPENDITURES:				
Project - land acquisition and public amenities	-	-	15,052	15,052
Project - transfers to HYDC	-	-	988	988
Grant to HYDC	-	-	7,369	7,369
Interest expenses	-	116,283	-	116,283
Principal amount of bonds retired	-	49,090	-	49,090
Payment to the City of New York	394,000	-	-	394,000
General and administrative	1,326	-	-	1,326
Total expenditures	395,326	165,373	23,409	584,108
OTHER FINANCING SOURCES (USES):				
Construction loan	-	-	18,392	18,392
Transfers in (out)	276,898	(277,886)	988	-
Total other financing sources (uses)	276,898	(277,886)	19,380	18,392
Net changes in fund balances	(88,695)	51,466	(4,029)	(41,258)
FUND BALANCES (DEFICIT) - beginning of year	418,192	31,642	(1,829)	448,005
FUND BALANCES (DEFICIT) - end of year	\$ 329,497	\$ 83,108	\$ (5,858)	\$ 406,747

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
	(in thousands)			
REVENUES:				
District improvement bonus revenue	\$ -	\$ 6,534	\$ -	\$ 6,534
Tax equivalency payment revenue	531	188,739	-	189,270
PILOMRT revenue	-	5,000	-	5,000
PILOT revenue	-	207,486	-	207,486
Investment income	28,234	6,569	-	34,803
Total revenues	28,765	414,328	-	443,093
EXPENDITURES:				
Project - land acquisition and public amenities	-	-	14,467	14,467
Project - transfers to HYDC	-	-	878	878
Grant to HYDC	-	-	7,320	7,320
Interest expenses	-	116,670	-	116,670
Principal amount of bonds retired	-	46,825	-	46,825
Payment to the City of New York	325,000	-	-	325,000
General and administrative	1,396	-	-	1,396
Total expenditures	326,396	163,495	22,665	512,556
OTHER FINANCING SOURCES (USES):				
Construction loan	-	-	79,500	79,500
Transfers in (out)	247,677	(248,558)	881	-
Total other financing sources (uses)	247,677	(248,558)	80,381	79,500
Net changes in fund balances	(49,954)	2,275	57,716	10,037
FUND BALANCES (DEFICIT) - beginning of year	468,146	29,367	(59,545)	437,968
FUND BALANCES (DEFICIT) - end of year	\$ 418,192	\$ 31,642	\$ (1,829)	\$ 448,005

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES) FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
	(in thousands)	
Net change in fund balances - total governmental funds	\$ (41,258)	\$ 10,037
Amount reported in the statements of activities are different because:		
Governmental funds financial statements report bond premiums as other financing source upon issuance. However, on the statements of activities, premiums are amortized as an offset of interest expense over the life of the bonds.	19,062	19,418
Payment (including defeasance) of bond principal is an expenditure in the governmental funds financial statements, but the payment reduces long-term liabilities in the statements of net position (deficit).	49,090	46,825
Loan proceeds provide current financial resources to the governmental funds, but debt issued increased long-term liabilities on the statements of net position (deficit).	(18,392)	(79,500)
The governmental funds financial statements recognize refunding bond proceeds and payments to refunding bond escrow agent in the year the refunding occurs, however, in the statements of activities the gain or loss as a result of the refunding is amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to advance refund the bonds.	1,164	1,164
Arbitrage earnings rebatable to the Federal government are reported on the statements of activities on an accrual basis. However, arbitrage expenditures are reported in governmental funds when the outlay of financial resources is due.	(175)	-
Contingent liabilities are reported on the statements of activities on the accrual basis. However, contingent expenditures are reported in the governmental funds financial statements when they are incurred or paid.	(89,876)	(3,519)
Interest expense is reported in the statements of activities on the accrual basis. However, interest is reported as an expenditure in governmental funds financial statements when the payment is due.	895	642
Change in net position (deficit) - governmental activities	<u>\$ (79,490)</u>	<u>\$ (4,933)</u>

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

1. Organization

Hudson Yards Infrastructure Corporation (“HYIC”) is a local development corporation established by the City of New York (the “City”) under Article 14 of the Not-for-Profit Corporation Law of the State of New York. HYIC’s purpose is the financing of certain infrastructure improvements in the Hudson Yards Financing District on the West Side of Manhattan (the “Project”). HYIC does not engage in development directly, but finances development managed by Hudson Yards Development Corporation (“HYDC”) and carried out by existing public entities. The Project is in an area generally bounded by Seventh and Eighth Avenues on the east, West 43rd Street on the north, Twelfth Avenue on the west, and West 29th and 30th Streets on the south (the “Project Area”). The Project consists of: (1) design and construction of an extension of the No. 7 Subway from Seventh Avenue and 41st Street to Eleventh Avenue and West 34th Street (the “Subway Extension”), (2) acquisition from the Metropolitan Transportation Authority (“MTA”) of certain transferable development rights over its rail yards between Tenth and Eleventh Avenues and between West 30th and West 33rd Streets (“Eastern Rail Yards” or “ERY”), (3) construction of a system of parks, public open spaces, and streets in the Project Area (“Public Amenities”) and (4) property acquisition for the Project. The Subway Extension began service in September 2015 and the construction of a portion of Hudson Park and Boulevard was completed and opened to the public in August 2015.

HYIC fulfills its purpose through borrowing to finance the Project and the collection of revenues, including payments in lieu of taxes and district improvement bonuses from private developers and appropriations from the City to support its operations and pay principal and interest on its outstanding debt. HYIC is governed by the Board of Directors elected by its five members, all of whom are officials of the City. HYIC’s Certificate of Incorporation requires the vote of an independent director as a condition to taking certain actions; the independent director would be appointed by the Mayor prior to any such actions. HYIC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which HYIC pays a management fee and overhead based on its allocated share of personnel and overhead costs.

Although legally separate from the City, HYIC is an instrumentality of the City and, accordingly, is included in the City’s financial statements as a blended component unit, in accordance with the Governmental Accounting Standards Board (“GASB”) standards.

2. Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

The government-wide financial statements of HYIC, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The statements of net position (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of cash flows.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. Summary of Significant Accounting Policies (continued)

HYIC's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenue is generally considered available if expected to be received within sixty-days after period end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and estimated arbitrage rebate liability, which are recognized when due.

HYIC uses three governmental funds for reporting its activities: a General Fund ("GF"), a Debt Service Fund ("DSF"), and a Capital Projects Fund ("CPF"). The DSF is used to account for the receipt and disbursement of resources used to pay interest on and principal of long-term debt. The CPF is used to account for bond issuances and proceeds and for project expenditures. The GF is used to account for all financial resources not accounted for in the DSF or the CPF, generally those used or held for use for administrative expenditures and arbitrage rebate expenditures. HYIC accounts for its activities in accordance with the Trust Indenture between HYIC and US Bank dated December 1, 2006, as amended (the "First Indenture"), Second Trust Indenture dated May 1, 2017 (the "Second Indenture") and Third Supplemental Trust Indenture dated February 1, 2019 (the "Third Indenture"), collectively, the ("Indentures").

Fund Balance

Fund balances are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned in accordance with GASB standards.

Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with HYIC's Indentures are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

The Board of Directors of HYIC ("Board") constitutes HYIC's highest level of decision-making authority. If and when resolutions are adopted by the Board that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose unless, and until, a subsequent resolution altering the commitment is adopted by the Board.

Fund balances, if and when constrained for use for a specific purpose based on the direction of any officer of HYIC duly authorized under its bond Indentures to direct the movement of such funds, are accounted for and reported as assigned for such purpose. This assignment will remain, unless and until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment.

When both restricted and unrestricted resources are available for use for a specific purpose, it is HYIC's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is HYIC's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. Summary of Significant Accounting Policies (continued)

Resources constrained for debt service or redemption in accordance with HYIC's Indentures are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

Cash Equivalents

Cash equivalents consist of money market funds and investments maturing within 90 days from the purchase date.

Capital Assets

HYIC is not the owner of the Project assets that are constructed or acquired with the proceeds of its borrowing. Assets related to the parks and boulevard are property of the City. Assets related to the Subway Extension are owned by the City and leased to the New York City Transit Authority pursuant to a long-term lease, and are treated as assets of the New York City Transit Authority on its financial statements. Therefore, HYIC reports no infrastructure assets or construction work in progress.

For fixed assets used in the operations of HYIC, HYIC's policy is to capitalize the purchase of assets having a minimum useful life of five years (three years for certain technology assets) and having a cost of more than \$50,000. No such assets have been acquired.

Revenues

HYIC revenues include:

- (1) Interest Support Payments ("ISP") are made by the City under the terms of the Amended and Restated Support and Development Agreement and the Additional Borrowing Hudson Yards Support Agreement (together the "Agreement") that obligates the City to pay to HYIC, subject to annual appropriation, ISP on up to \$3.4 billion of HYIC debt, for so long as such debt is outstanding, in an amount equal to the difference between the amount of funds available to HYIC to pay interest on debt and the amount of interest due on such debt. HYIC did not receive any ISPs in fiscal years 2025 or 2024;
- (2) Payments in lieu of real estate taxes ("PILOT") which have been assigned to HYIC under agreements with the New York City Industrial Development Agency ("IDA"), the City, and the MTA, and that are to be made in accordance with agreements between developers and the IDA and others ("PILOT Agreements");
- (3) Tax Equivalency Payments ("TEP") are made by the City under the terms of the Agreement that obligates the City to pay to HYIC, subject to annual appropriation, the amount of real property taxes collected by the City on new development (including substantial rehabilitation of existing buildings) in the Project Area;
- (4) District Improvement Bonuses ("DIB") paid by private developers in exchange for the right to create additional density in the Project Area;

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. Summary of Significant Accounting Policies (continued)

- (5) Payments in lieu of the mortgage recording tax ("PILOMRT") required to be made by private developers entering into PILOT Agreements; and
- (6) Interest earned on unspent bond proceeds is generally used for debt service.

Arbitrage Rebate

To maintain the exemption from Federal income tax of interest on HYIC tax exempt debt, HYIC will fund amounts required to be rebated to the Federal Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, or within 60 days after retirement of the bonds.

The arbitrage rebate expense and the liability at year end are reported in the government-wide financial statements, but are not reported in the governmental fund financial statements unless due. It will be reported as an expenditure and liability in the governmental funds financial statements in the year it becomes payable to the Federal government.

Bond Premium and Issuance Costs

Bond premiums and discounts are capitalized and amortized over the life of the related debt using the interest method in the government-wide financial statements. The governmental funds financial statements recognize the premiums and discounts during the current period. Bond premiums and discounts are presented as additions or reductions to the face amount of the bonds payable. Bond issuance costs, except for prepaid bond insurance, are recognized as an expense/expenditure in the period incurred in the government-wide and governmental funds financial statements, respectively.

Deferred Bond Refunding Costs

Deferred bond refunding costs represent the accounting gain or loss incurred on a refunding of outstanding bonds and are reported as deferred outflows of resources or deferred inflows of resources in the government-wide financial statements. The deferred bond refunding costs are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In the DSF, costs of the bond issuance/refunding are reported as expenditures when incurred.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires HYIC's management to make estimates and assumptions in determining the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

As a component unit of the City, HYIC implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards which may impact HYIC in future years:

- In June 2022, GASB issued Statement No. 101, *Compensated Absences*, (“GASB 101”). GASB 101 updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements for GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The implementation of GASB 101 did not have any impact on HYIC’s financial statements.
- In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, (“GASB 102”). GASB 102 improves financial reporting by requiring disclosures of certain concentrations or constraints and related events that have occurred, have begun to occur, or are more than likely than not to begin to occur within 12 months of the date the financial statements are issued that make a government vulnerable to a substantial impact. The requirements for GASB 102 are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The implementation of GASB 102 did not have an immediate impact on HYIC’s financial statements as there were no events that met the GASB 102 criteria for required reporting.
- In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, (“GASB 103”). GASB 103 improves components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing accountability. The requirements for GASB 103 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. HYIC has not completed the process of evaluating GASB 103 but expects it to have an impact on the presentation of HYIC’s financial statements.
- In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, (“GASB 104”). GASB 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosures and also requires additional disclosures for capital assets held for sale. The requirements for GASB 104 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. HYIC does not expect GASB 104 to have an impact on its financial statements as HYIC does not have any capital assets.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

3. Cash and Cash Equivalents

HYIC's cash and cash equivalents consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
	(in thousands)	
Unrestricted cash equivalents:		
Cash equivalents	\$ 68,826	\$ 73,696
Total unrestricted cash equivalents	<u>68,826</u>	<u>73,696</u>
Restricted cash equivalents:		
Cash equivalents	<u>134,238</u>	<u>157,096</u>
Total restricted cash equivalents	<u>134,238</u>	<u>157,096</u>
Total cash equivalents	<u><u>\$ 203,064</u></u>	<u><u>\$ 230,792</u></u>

4. Investments

HYIC's management invests funds which are not immediately required for operations, debt service or capital project expenses. Each account of HYIC is held pursuant to the Indentures and may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indentures. Investments are reported at fair value using market prices in an active market as of the financial statement date.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

4. Investments (continued)

HYIC's investments consisted of the following at June 30:

	2025	2024
	(in thousands)	
Unrestricted investments and cash equivalents:		
Money Market Funds	\$ 68,826	\$ 73,696
U.S. Treasury Bill (maturing within one year)	260,384	-
U.S. Treasury Note (maturing within one year)	-	343,611
	<u>329,210</u>	<u>417,307</u>
Total unrestricted investments and cash equivalents	329,210	417,307
Less: amounts reported as unrestricted cash equivalents	<u>(68,826)</u>	<u>(73,696)</u>
	<u>\$ 260,384</u>	<u>\$ 343,611</u>
Total unrestricted investments	<u>\$ 260,384</u>	<u>\$ 343,611</u>
Restricted investments and cash equivalents:		
Money Market Funds	\$ 134,238	\$ 157,096
U.S. Treasury Bill (maturing within one year)	24,982	-
U.S. Treasury Notes (maturing within one year)	55,039	-
	<u>214,259</u>	<u>157,096</u>
Total restricted investments and cash equivalents	214,259	157,096
Less: amounts reported as restricted cash equivalents	<u>(134,238)</u>	<u>(157,096)</u>
	<u>\$ 80,021</u>	<u>\$ -</u>
Total restricted investments	<u>\$ 80,021</u>	<u>\$ -</u>

Fair Value Hierarchy

HYIC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

HYIC has the following recurring fair value measurements as of June 30, 2025 and 2024:

- Money Market Funds are valued based on various market and industry inputs (Level 2 inputs).
- U.S. Treasury securities of \$340 million and \$344 million, respectively, are valued based on various market and industry inputs (Level 2 inputs).

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

4. Investments (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, HYIC may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are registered and are held by HYIC's agent in HYIC's name.

Credit Risk

All investments held by HYIC at June 30, 2025 are obligations of, or guaranteed by, the United States of America, which are rated by S&P Global AA+, Moody's Aa1, and Fitch AA+; and money market funds invested in eligible government obligations, which are rated by S&P AAAm and Moody's Aaa-mf.

Interest Rate Risk

HYIC's short-term investments are subject to minimal risk of fair value declines due to changes in market interest rates because such investments have very short maturities. Investments with longer terms are expected to be held until maturity thereby limiting the exposure from rising interest rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of HYIC's investments in a single issuer (5% or more). HYIC's investment policy places no limits on the amount HYIC may invest in any one issuer of eligible investments as defined in the Indentures. As of June 30, 2025 and 2024, 100% of HYIC's investments are in eligible government obligations or in money market funds invested in eligible government obligations.

5. Long-Term Debts

Changes in Long-term Debts

HYIC financed the Project through the issuance of \$2 billion of Fiscal 2007 Series A Senior Revenue Bonds ("FY07 Bonds") on December 21, 2006, and \$1 billion of Fiscal 2012 Series A Senior Revenue Bonds ("FY 12 Bonds") on October 26, 2011.

On May 30, 2017, HYIC issued \$2.1 billion in Fiscal Year 2017 Series A Subordinate Bonds and \$33.3 million in Series B Subordinate Bonds (together known as "FY17 Bonds") under the Second Indenture. The FY17 Bonds were serial and terms with semi-annually interest payment dates of February 15 and August 15 and maturing on February 15, 2047. Proceeds of the FY17 Bonds were applied, with other available funds, to refund all of the FY07 Bonds and \$391 million of the FY12 Bonds. The refinancing required that the unrefunded \$609 million of FY12 Bonds be amortized on a substantially level debt service basis to maturity in 2047 through annual sinking fund installments.

On February 1, 2019, HYIC entered into a Term Loan Agreement ("Loan") which presently provides for up to \$380 million to finance additional infrastructure projects in the Project Area. The Loan was extended in June 2022 to a scheduled expiration date of June 30, 2027. As of June 30, 2025 and 2024, the Loan had an outstanding balance of \$108.5 million and \$90.1 million, respectively.

HUDSON YARDS INFRASTRUCTURE CORPORATION

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

5. Long-Term Debts (continued)

On June 21, 2021, HYIC defeased \$38.6 million of FY12 Bonds using its existing resources, which resulted in an accounting gain of \$967 thousand, which represents the difference between the carrying value of the bonds and the amount paid to remove the bonds.

On October 27, 2021, HYIC issued \$454 million Fiscal Year 2022 Series A Bonds ("FY22 Bonds") under the Second Indenture. The FY22 Bonds are serial with semi-annual interest payment dates of February 15 and August 15, and maturing on February 15, 2047. Proceeds of the FY22 Bonds were applied, with other available funds, to refund all of the outstanding FY12 Bonds. As a result of this transaction, HYIC reduced its debt service by \$269 million and obtained an economic benefit of \$212 million.

Outstanding debt: 1) is secured by the revenues (as defined in the Indentures) and with pledged collateral consisting of all money and securities deposited in funds, accounts, and subaccounts as provided pursuant to the applicable Indentures, and 2) bears interest at fixed rates ranging from 3% to 5%.

A summary of changes in outstanding bonds and other long-term debt during the years ended June 30, 2025 and 2024 follows:

	Balance at <u>June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2025</u>	Due within <u>one year</u>
	(in thousands)				
Bonds:					
Fiscal 2017 Series A	\$ 1,974,275	\$ -	\$ (49,090)	\$ 1,925,185	\$ 51,505
Fiscal 2017 Series B	33,295	-	-	33,295	-
Fiscal 2022 Series A	454,140	-	-	454,140	7,050
Total before premium	2,461,710	-	(49,090)	2,412,620	58,555
Premium	256,465	-	(19,061)	237,404	
Total bonds	2,718,175	-	(68,151)	2,650,024	58,555
Loan:					
Construction loan	90,130	18,392	-	108,522	-
Total Debt	\$ 2,808,305	\$ 18,392	\$ (68,151)	\$ 2,758,546	\$ 58,555

HUDSON YARDS INFRASTRUCTURE CORPORATION

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

5. Long-Term Debts (continued)

	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024	Due within one year
	(in thousands)				
Bonds:					
Fiscal 2017 Series A	\$ 2,021,100	\$ -	\$ (46,825)	\$ 1,974,275	\$ 49,090
Fiscal 2017 Series B	33,295	-	-	33,295	-
Fiscal 2022 Series A	454,140	-	-	454,140	-
Total before premium	2,508,535	-	(46,825)	2,461,710	49,090
Premium	275,883	-	(19,418)	256,465	-
Total bonds	2,784,418	-	(66,243)	2,718,175	49,090
Loan:					
Construction loan	10,630	79,500	-	90,130	-
Total Debt	\$ 2,795,048	\$ 79,500	\$ (66,243)	\$ 2,808,305	\$ 49,090

HYIC's Indentures contain provisions that in the event of a payment default, the outstanding debt shall be subject to mandatory redemption and payment in accordance with the Indentures.

Debt service requirements, including principal and interest, at June 30, 2025, are as follows:

	Second Indenture Bonds			Direct Borrowing Term Loan		
	Principal	Interest	Total	Principal	Interest (a)	Total
	(in thousands)					
Years Ended June 30,						
2026	\$ 58,555	\$ 110,226	\$ 168,781	\$ -	\$ 4,059	\$ 4,059
2027	61,495	107,305	168,800	108,522	4,059	112,581
2028	68,845	104,245	173,090	-	-	-
2029	74,255	100,803	175,058	-	-	-
2030	77,970	97,090	175,060	-	-	-
2031 to 2035	452,150	423,146	875,296	-	-	-
2036 to 2040	571,625	303,671	875,296	-	-	-
2041 to 2045	716,660	158,614	875,274	-	-	-
2046 to 2047	331,065	18,836	349,901	-	-	-
Totals	\$ 2,412,620	\$ 1,423,936	\$ 3,836,556	\$ 108,522	\$ 8,118	\$ 116,640

(a) The variable interest rate used in this table was 3.74% on the term loan.

HUDSON YARDS INFRASTRUCTURE CORPORATION

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

6. Property Acquisition

As of June 30, 2025, the City had condemned nine property interests for Phase II of the Hudson Yards Project. Although the City is the condemnor of the property interests, HYIC is responsible for funding any payments ultimately determined to be payable on claims resulting from the condemnations. Claimants have made 18 claims, comprising ten easement claims and eight fixtures claims. Five claimants (for two easement claims and three fixtures claims) have settled or agreed to settle with the City.

Based upon available information, for fiscal year 2025 and fiscal year 2024, HYIC accrued contingent liabilities of \$97.2 million and \$4.5 million, respectively. In fiscal year 2025, \$3.8 million of contingent liabilities was recorded as project costs payable. The liabilities comprise unpaid advanced payments offered to claimants, unpaid settled claim amounts, estimated liabilities for claims based on the City's completed appraisals, and accrued interest. For claims with completed appraisals, the estimated liabilities are calculated as 50% of the City's appraised value plus accrued interest.

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

The Board of Directors
Hudson Yards Infrastructure Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and governmental funds of Hudson Yards Infrastructure Corporation (HYIC) as of and for the year ended June 30, 2025 as listed in the table of contents, and the related notes to financial statements, which collectively comprise HYIC's basic financial statements, and have issued our report thereon dated September 25, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HYIC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HYIC's internal control. Accordingly, we do not express an opinion on the effectiveness of HYIC'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 HYIC's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HYIC's 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 financial statements. 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 HYIC'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 HYIC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 25, 2025