



Hudson Yards Infrastructure Corporation

A Component Unit of the City of New York

Financial Statements

Together with Report of Independent Auditors

June 30, 2026 and 2025

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hudson Yards Infrastructure Corporation:

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Hudson Yards Infrastructure Corporation (HYIC), a component unit of The City of New York, as of and for the years ended June 30, 2026 and 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 financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of HYIC as of June 30, 2026 and 2025, and the respective changes in financial position thereof for the years 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) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 audits. 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 Audits 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 and Government Auditing Standards 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 and Government Auditing Standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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.

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 11 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 24, 2026 on our consideration of the HYIC'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 HYIC'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 HYIC's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 24, 2026

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

The purpose of management's discussion and analysis ("MD&A") is to help readers understand what the financial statements and notes in this financial report say about the Hudson Yards Infrastructure Corporation's ("HYIC" or the "Corporation") financial health and how it changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by staff and management's knowledge of HYIC's finances.

If you have questions about this report or require further information, please contact:

Hudson Yards Infrastructure Corporation

Investor Relations
255 Greenwich Street, 6th Floor
New York, NY 10007

Overview of the Financial Statements

HYIC's financial report contains basic financial statements. These financial statements present HYIC's finances at both an overall level and a detailed level. The first two—the government-wide financial statements—cover HYIC's governmental activities.

The remaining basic financial statements present HYIC's finances in greater detail. The fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. HYIC reports three different funds:

- The *General Fund* is HYIC's operating fund and is primarily used to record activity related to administrative expenditures and surplus transfers to the City of New York (the "City").
- The *Debt Service Fund* is used to record program revenue and the repayment of principal and interest on outstanding debt.
- The *Capital Projects Fund* is used to record project costs and the receipt of debt proceeds to finance those costs (including drawdowns from loans).

The next section of this financial report contains notes to the financial statements, which delve deeper into HYIC's finances as reported in the financial statements. The information in the notes is as important to understanding HYIC's finances as the information in the financial statements. HYIC uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Types of Information in the Financial Statements

HYIC's government-wide financial statements use the economic resources measurement focus and accrual basis of accounting. These statements comprehensively report all types of financial statement elements:

- **Assets**—resources HYIC controls, from short-term assets like cash to long-term assets (HYIC does not currently have any long-term assets, but an example would be capital assets).
- **Liabilities**—amounts HYIC owes, from short-term liabilities such as accounts payable to long-term liabilities such as outstanding bonds.
- **Deferred outflows of resources and deferred inflows of resources**—flows that occurred during the year, or in prior years, that will not be reported as expenses or revenues until the future year to which they are related.
- **Revenues and expenses**—inflows and outflows of economic resources, respectively, related to the current year.

HYIC's governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain long-term items, such as bonds outstanding, but do report the flows of current financial resources related to those long-term items. For example, the proceeds from issuing bonds, as well as principal and interest payments on bonds, are reported on the governmental funds statements. The below table summarizes the types of information reported in each of HYIC's financial statements.

	Financial Statements	
	Government-Wide	Governmental Fund
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short and long term.	Only current financial resources, such as cash, investments, and accounts payable.
Types of revenues / additions	All types of revenues / additions that flow into the government during the year that relate to that year, regardless of when cash is received.	Only revenues that are measurable and available to finance expenditures of that year.
Types of expenses / deductions / expenditures	All types of expenses / deductions that flow out of the government during the year that relate to that year, regardless of when cash is paid.	Only expenditures for which the related governmental fund liability is incurred in that year.
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government that relate to a future year.	Current financial resources that flow into and out of the governmental funds during the year that relate to a future year.

More detail about the measurement focuses and bases of accounting can be found in note 2 to the financial statements, the summary of significant accounting policies, beginning on page 20.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Analysis of HYIC's Finances

Net Position (Deficit)

The following table summarizes HYIC's assets, deferred outflows of resources, liabilities, and net position (deficit) as of June 30, 2026, 2025, and 2024:

	2026	2025	2024	Variance	
				2026/2025	2025/2024
	(in thousands)				
Assets:					
Current and other assets	\$ 488,291	\$ 544,183	\$ 575,906	-10.3 %	-5.5 %
Total assets	488,291	544,183	575,906	-10.3 %	-5.5 %
Liabilities:					
Current liabilities	266,021	106,712	93,947	149.3 %	13.6 %
Long-term liabilities	2,544,431	2,793,386	2,762,734	-8.9 %	1.1 %
Total liabilities	2,810,452	2,900,098	2,856,681	-3.1 %	1.5 %
Deferred inflows of resources:					
Prepaid PILOT	136,120	131,364	125,850	3.6 %	4.4 %
Unamortized deferred bond refunding costs	23,270	24,434	25,598	-4.8 %	-4.5 %
Total deferred inflows of resources	159,390	155,798	151,448	2.3 %	2.9 %
Net position (deficit):					
Unrestricted	(2,481,551)	(2,511,713)	(2,432,223)	1.2 %	-3.3 %
Total net position (deficit)	\$ (2,481,551)	\$ (2,511,713)	\$ (2,432,223)	1.2 %	-3.3 %

Table 1 – Net Position

Fiscal Year 2026

As of June 30, 2026, HYIC's net deficit—assets and deferred outflows of resources less liabilities and deferred inflows of resources—was \$2.48 billion, a decrease in the deficit of \$30.2 million (1.2%) compared with the net deficit as of June 30, 2025. This decrease in the deficit was primarily due to a decrease in current assets and a decrease in liabilities. The decrease in current assets was mostly a result of the activities described in the *Governmental Activities* section. Current liabilities increased and long-term liabilities decreased as the balance of the term loan is due for repayment in 2027.

Fiscal Year 2025

As of June 30, 2025, HYIC's net deficit—assets and deferred outflows of resources less liabilities and deferred inflows of resources—was \$2.51 billion, an increase in the deficit of \$79.5 million (3.3%) compared with the net deficit as of June 30, 2024. This increase in the deficit was primarily due to a decrease in current assets and an increase in the long-term liabilities. The decrease in current assets and the increase in the long-term liabilities was mostly a result of the activities described in the *Governmental Activities* section, offset by a decrease in long-term debt resulting from making principal payments on outstanding bonds.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Governmental Activities

The following table summarizes the activities of HYIC for the years ended June 30, 2026, 2025, and 2024:

	2026	2025	2024	Variance	
				2026/2025	2025/2024
	(in thousands)				
Revenues:					
Program revenue	\$ 559,721	\$ 489,516	\$ 408,290	14.3 %	19.9 %
Other revenue	15,582	34,942	34,803	-55.4 %	0.4 %
Total revenues	575,303	524,458	443,093	9.7 %	18.4 %
Expenses:					
Project expense	(10,614)	113,285	26,184	-109.4 %	332.6 %
Interest expense	93,058	95,162	95,446	-2.2 %	-0.3 %
Payments to the City of New York	461,050	394,000	325,000	17.0 %	21.2 %
Other expenses	1,647	1,501	1,396	9.7 %	7.5 %
Total expenses	545,141	603,948	448,026	-9.7 %	34.8 %
Change in net position (deficit)	30,162	(79,490)	(4,933)	137.9 %	-1,511.4 %
Net position (deficit), beginning of year	(2,511,713)	(2,432,223)	(2,427,290)	-3.3 %	-0.2 %
Net position (deficit), end of year	\$ (2,481,551)	\$ (2,511,713)	\$ (2,432,223)	1.2 %	-3.3 %

Table 2 – Changes in Net Position

Fiscal Year 2026

In fiscal year 2026, HYIC's decrease in net deficit of \$30.2 million was primarily driven by increases in both recurring and non-recurring program revenues and decreases in project expenses, offset by increased payments of surplus to the City.

- Program revenues, particularly tax equivalency payment revenues ("TEP revenues") and district improvement bonus revenues ("DIB revenues"), increased by \$70.2 million (14.3%). TEP revenues are recurring revenues and increased \$19.2 million primarily due to decreases in tax exemptions as properties phase out of these of exemptions.

DIB revenues are non-recurring revenues by private developers in exchange for the right to create additional density. In fiscal year 2026, DIB revenues increased \$63.7 million as a result of one developer's payment for the right to create additional density above base zoning maximum floor area ratio. This increase in non-recurring revenues was offset by a \$20.2 million decrease in payments in lieu of mortgage recording tax revenues ("PILOMRT revenues"), which was due to decreased mortgage activity.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

- Project expenses decreased \$124 million (109%). The decrease was primarily due to lower than expected payments on several condemnation claims that were accrued for in fiscal year 2025 as part of the condemnation contingent liability. HYIC also recognized a smaller contingent liability of \$33.1 million as a result of claims being settled and paid.
- Payments of surplus funds to the City increased by \$67.0 million (17.0%). This increase comprised a \$25.0 million increase that was expected and reflected in HYIC's budget for the fiscal year, as well as an increase of \$42.0 million in the amount of non-recurring PILOMRT and DIB revenues that were received during the fiscal year and paid to the City.

Fiscal Year 2025

In fiscal year 2025, HYIC's increase in net deficit of \$79.5 million was primarily driven by increases in project expenses and payments of surplus funds to the City. The increases in expenses were offset by increases in both recurring and non-recurring program revenues.

- Program revenues, particularly payments in lieu of taxes revenues ("PILOT revenues") and PILOMRT revenues, increased by \$81.2 (19.9%). PILOT revenues increased by \$50.1 million primarily as a result of 1) significant increases in assessed values—on which the PILOTs due are calculated—for two Hudson Yards projects and 2) one project exiting the construction period, which significantly increased the PILOTs due.

PILOMRT revenues are non-recurring revenues and increased by \$39.9 million as a result of mortgage activity related to two projects, with one project generating \$44.9 million in PILOMRT revenues.

- Project expenses increased \$87.1 million (333%). The increase in expenses was the result of an increase of \$92.7 million in contingent liability related to the condemnation of properties for the Phase II parks project. The significant increase in the liability was due to the City completing appraisals on the condemned properties, which allowed for the estimation of the expected payments due for most of the condemned properties.
- Payments of surplus funds to the City increased by \$69.0 million (21.2%). This increase comprised a \$25.0 million increase that was expected and reflected in HYIC's budget for the fiscal year, as well as the payment of \$44.0 million of PILOMRT revenues received during the fiscal year, as described above.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Governmental Funds

HYIC reports three major funds individually in the governmental funds financial statements: the general fund ("GF"), the debt service fund ("DSF"), and the Capital Projects Fund ("CPF"). As most of the discussion regarding governmental activities also applies to the finances of the governmental funds, some parts of the funds analyses will reference explanations in the previous *Net Position (Deficit)* and *Governmental Activities* sections.

General Fund

The following summarizes the changes in the GF for the years ended June 30, 2026, 2025, and 2024:

	2026	2025	2024	Variance	
				2026/2025	2025/2024
	(in thousands)				
Revenues:					
Program revenue	\$ 485	\$ 239	\$ 531	102.9 %	-55.0 %
Investment income	8,262	29,494	28,234	-72.0 %	4.5 %
Other revenue	2,282	-	-	- %	- %
Total revenues	11,029	29,733	28,765	-62.9 %	3.4 %
Expenditures:					
Payment to the City of New York	461,050	394,000	325,000	17.0 %	21.2 %
General and administrative	1,469	1,326	1,396	10.8 %	-5.0 %
Total expenditures	462,519	395,326	326,396	17.0 %	21.1 %
Other financing sources (uses)	290,369	276,898	247,677	4.9 %	11.8 %
Change in fund balances	(161,121)	(88,695)	(49,954)	-81.7 %	-77.6 %
Fund balance, beginning of year	329,497	418,192	468,146	-21.2 %	-10.7 %
Fund balance, end of year	\$ 168,376	\$ 329,497	\$ 418,192	-48.9 %	-21.2 %

Table 3 – Revenues, Expenditures, and Changes in Fund Balances – General Fund

In fiscal years 2026 and 2025, the fund balance of the GF decreased by \$161 million (-48.9%) and \$88.7 million (-21.2%), respectively. The growth of the excess of expenditures over revenues was primarily a result of the increase of surplus funds transferred to the City, which was discussed in the *Governmental Activities* section above. These surplus funds include funds accumulated from revenues recognized and collected in prior fiscal years.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Debt Service Fund

The following summarizes the changes in the DSF for the years ended June 30, 2026, 2025, and 2024:

	2026	2025	2024	Variance	
				2026/2025	2025/2024
	(in thousands)				
Revenues:					
Program revenue	\$ 559,236	\$ 489,288	\$ 407,759	14.3 %	20.0 %
Investment income	5,038	5,437	6,569	-7.3 %	-17.2 %
Total revenues	564,274	494,725	414,328	14.1 %	19.4 %
Expenditures:					
Interest expense	113,851	116,283	116,670	-2.1 %	-0.3 %
Principal amount of bonds retired	58,555	49,090	46,825	19.3 %	4.8 %
Total expenditures	172,406	165,373	163,495	4.3 %	1.1 %
Other financing sources (uses)	(291,366)	(277,886)	(248,558)	-4.9 %	-11.8 %
Change in fund balances	100,502	51,466	2,275	95.3 %	2,162.2 %
Fund balance, beginning of year	83,108	31,642	29,367	162.7 %	7.7 %
Fund balance, end of year	\$ 183,610	\$ 83,108	\$ 31,642	120.9 %	162.7 %

Table 4 – Revenues, Expenditures, and Changes in Fund Balances – Debt Service Fund

In fiscal years 2026 and 2025, the fund balance of the DSF increased by \$101 million or (121%) and \$51.5 million (163%), respectively. These increases were primarily a result of increases in program revenues, as discussed in the *Governmental Activities* section above, while expenditures comprising interest expense and principal payments on debt outstanding remained relatively flat.

Capital Projects Fund

The following summarizes the changes in the CPF for the years ended June 30, 2026, 2025, and 2024:

	2026	2025	2024	Variance	
				2026/2025	2025/2024
	(in thousands)				
Revenues	\$ -	\$ -	\$ -	- %	- %
Expenditures	49,715	23,409	22,665	112.4 %	3.3 %
Other financing sources (uses)	38,442	19,380	80,381	98.4 %	-75.9 %
Change in fund balances	(11,273)	(4,029)	57,716	-179.8 %	-107.0 %
Fund balance (deficit), beginning of year	(5,858)	(1,829)	(59,545)	-220.3 %	96.9 %
Fund balance (deficit), end of year	\$ (17,131)	\$ (5,858)	\$ (1,829)	-192.4 %	-220.3 %

Table 5 – Revenues, Expenditures, and Changes in Fund Balances – Capital Projects Fund

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

In fiscal years 2026 and 2025, the deficit balance of the CPF increased by \$11.3 million (192.4%) and \$4.0 million (220%) mainly due to increases in contingent liabilities related to condemnations expected to be paid within one year from each fiscal year end.

Long-Term Financing Activity

During fiscal year 2026, HYIC made \$58.6 in principal payments on its existing long-term debt. Additionally, HYIC drew \$37.4 million from its term loan agreement to finance infrastructure costs related to the phase II parks project. As of June 30, 2026, HYIC had drawn a total of \$146 million of the \$380 million available on the loan.

During fiscal year 2025, HYIC made \$49.1 in principal payments on its existing long-term debt. Additionally, HYIC drew \$18.4 million from its term loan agreement to finance infrastructure costs related to the phase II parks project. As of June 30, 2025, HYIC had drawn a total of \$109 million of the \$380 million available on the loan.

As of the end of 2026, HYIC's bonds were rated by Moody's, S&P Global, and Fitch at Aa2, AA, and AA-, respectively.

More details about HYIC's long-term financing activity can be found in the note 5 to the financial statements, long-term debts, beginning on page 27.

Currently Known Facts, Decisions, or Conditions

HYIC is aware of several developments that are expected to have a significant impact on HYIC's future financial performance.

Revision of Phase II Parks Project Costs

During fiscal year 2026, the estimated cost for the phase II parks project was revised from \$380 million to \$511 million. This increase was primarily a result of additional requirements related to ventilation of the train tracks that will be covered as part of the project as well as inflation. Because project costs will be financed by debt, the increased cost will have a significant impact on HYIC's borrowing needs, as discussed below.

Long-Term Financing Plans

HYIC's term loan is due to expire in June 2027. At that time, amounts previously drawn on the loan will need to be repaid. In its fiscal year 2027 budget, HYIC expects to issue long-term debt to both repay the outstanding term loan amount as well as provide sufficient funds to finance the remaining costs of the phase II parks project that will be incurred after the term loan expires. In line with the updated project budget, HYIC's fiscal year 2027 budget reflects \$511 million of long-term borrowing.

Statements of Net Position (Deficit)

As of June 30, 2026 and 2025

	2026	2025
	(in thousands)	
Assets:		
Unrestricted cash equivalents	\$ 156,355	\$ 68,826
Restricted cash equivalents	149,752	134,238
Unrestricted investments	11,920	260,384
Restricted investments	169,748	80,021
Interest receivable	480	678
Other receivables	36	36
Total assets	<u>488,291</u>	<u>544,183</u>
Liabilities:		
Project costs payable	14,382	3,834
Contribution due to HYDC	2,749	2,024
Accounts payable	185	214
Arbitrage rebate liability	352	175
Accrued bond interest payable	40,891	41,910
Contingent liabilities	33,066	93,395
Long-term debt:		
Portion due within one year	207,462	58,555
Portion due after one year	2,511,365	2,699,991
Total liabilities	<u>2,810,452</u>	<u>2,900,098</u>
Deferred Outflows of Resources:		
Prepaid PILOT	136,120	131,364
Unamortized gain on refunding	23,270	24,434
Total deferred inflows of resources	<u>159,390</u>	<u>155,798</u>
Net Position (Deficit):		
Unrestricted (deficit)	<u>(2,481,551)</u>	<u>(2,511,713)</u>
Total net position (deficit)	<u>\$ (2,481,551)</u>	<u>\$ (2,511,713)</u>

The accompanying notes are an integral part of these financial statements.

Statements of Activities

For the Years Ended June 30, 2026 and 2025

	2026	2025
	(in thousands)	
Revenues:		
PILOT revenue	\$ 265,097	\$ 257,594
Tax equivalency payment revenue	206,277	187,038
PILOMRT revenue	24,649	44,884
District improvement bonus revenue	63,698	-
Investment income	13,300	34,931
Other revenue	2,282	11
Total revenues	575,303	524,458
Expenses:		
Project – land acquisition and public amenities	(21,600)	104,928
Project – transfer to HYDC	997	988
Contribution to HYDC	9,989	7,369
Interest expense	93,058	95,162
Payments to the City of New York	461,050	394,000
Arbitrage rebate	178	175
General and administrative	1,469	1,326
Total expenses	545,141	603,948
Change in net position (deficit)	30,162	(79,490)
Net position (deficit) - beginning of year	(2,511,713)	(2,432,223)
Net position (deficit) - end of year	<u>\$ (2,481,551)</u>	<u>\$ (2,511,713)</u>

The accompanying notes are an integral part of these financial statements.

Governmental Funds Balance Sheet

As of June 30, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
	(in thousands)			
Assets:				
Unrestricted cash equivalents	\$ 156,355	\$ -	\$ -	\$ 156,355
Restricted cash equivalents	-	149,752	-	149,752
Unrestricted investments	11,920	-	-	11,920
Restricted investments	-	169,748	-	169,748
Interest receivable	250	230	-	480
Other receivables	36	-	-	36
Total assets	168,561	319,730	-	488,291
Liabilities:				
Project costs payable	-	-	14,382	14,382
Contribution due to HYDC	-	-	2,749	2,749
Accounts payable	185	-	-	185
Total liabilities	185	-	17,131	17,316
Deferred Inflows of Resources:				
Prepaid PILOT	-	136,120	-	136,120
Total deferred inflows of resources	-	136,120	-	136,120
Fund Balances:				
Restricted for debt service	-	183,610	-	183,610
Unassigned	168,376	-	(17,131)	151,245
Total fund balances (deficit)	168,376	183,610	(17,131)	334,855
Total liabilities, deferred inflows of resources and fund balance (deficit)	\$ 168,561	\$ 319,730	\$ -	\$ 488,291

The accompanying notes are an integral part of these financial statements.

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
Contribution due to HYDC	-	-	2,024	2,024
Accounts payable	214	-	-	214
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:				
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 balance (deficit)	\$ 329,711	\$ 214,472	\$ -	\$ 544,183

The accompanying notes are an integral part of these financial statements.

Reconciliations of the Governmental Funds Balance Sheets to the Statements of Net Position (Deficit)

As of June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
	(in thousands)	
Total fund balances - governmental funds	\$ 334,855	\$ 406,747
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 upon issuance. 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.		
	(218,795)	(237,404)
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.		
	(23,270)	(24,434)
Liabilities not due and not payable in the current period from current financial resources are not reported in the governmental funds financial statements but are reported in the statements of net position (deficit). Those liabilities consist of:		
Bonds payable	(2,354,065)	(2,412,620)
Accrued bond interest payable	(40,891)	(41,910)
Arbitrage rebate payable	(352)	(175)
Construction loan payable	(145,967)	(108,522)
Contingent liabilities	(33,066)	(93,395)
Net position (deficit) - governmental activities	<u>\$ (2,481,551)</u>	<u>\$ (2,511,713)</u>

The accompanying notes are an integral part of these financial statements.

**Governmental Funds Statements of Revenues, Expenditures, and
Changes in Fund Balances**

For the Year Ended June 30, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
	(in thousands)			
Revenues:				
PILOT revenue	\$ -	\$ 265,097	\$ -	\$ 265,097
Tax equivalency payment revenue	485	205,792	-	206,277
PILOMRT revenue	-	24,649	-	24,649
District improvement bonus revenue	-	63,698	-	63,698
Investment income	8,262	5,038	-	13,300
Other revenue	2,282	-	-	2,282
Total revenues	11,029	564,274	-	575,303
Expenditures:				
Project – land acquisition and public amenities	-	-	38,729	38,729
Project – transfers to HYDC	-	-	997	997
Contribution to HYDC	-	-	9,989	9,989
Interest expenses	-	113,851	-	113,851
Principal amount of bonds retired	-	58,555	-	58,555
Payment to the City of New York	461,050	-	-	461,050
General and administrative	1,469	-	-	1,469
Total expenditures	462,519	172,406	49,715	684,640
Other financing sources (uses):				
Construction loan	-	-	37,445	37,445
Transfers in (out)	290,369	(291,366)	997	-
Total other financing sources (uses)	290,369	(291,366)	38,442	37,445
Net change in fund balances	(161,121)	100,502	(11,273)	(71,892)
Fund balances (deficit) - beginning of year	329,497	83,108	(5,858)	406,747
Fund balances (deficit) - end of year	\$ 168,376	\$ 183,610	(17,131)	\$ 334,855

The accompanying notes are an integral part of these financial statements.

**Governmental Funds Statements 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:				
PILOT revenue	\$ -	\$ 257,594	\$ -	\$ 257,594
Tax equivalency payment revenue	239	186,799	-	187,038
PILOMRT revenue	-	44,884	-	44,884
Investment income	29,494	5,437	-	34,931
Other revenue	-	11	-	11
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
Contribution 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 change 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

The accompanying notes are an integral part of these financial statements.

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, 2026 and 2025

	<u>2026</u>	<u>2025</u>
	(in thousands)	
Net change in fund balances - governmental funds	\$ (71,892)	\$ (41,258)
Amounts reported for governmental activities in the statements of activities are different because:		
The governmental funds financial statements report bond premiums as other financing (uses) upon issuance. However, in the statements of activities, bond premiums are amortized over the life of the bond and offset bond interest.	18,609	19,062
Payment of bond principal is an expenditure in the governmental funds financial statements, but the payment reduces bonds payable in the statements of net position (deficit).	58,555	49,090
Loan proceeds provide current financial resources to the governmental funds, but debt issued increased long-term liabilities on the statements of net position (deficit).	(37,445)	(18,392)
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.	(177)	(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.	60,329	(89,876)
Interest is reported in the statements of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds financial statements when the outlay of financial resources is paid.	1,019	895
Change in net position (deficit) - governmental activities	<u>\$ 30,162</u>	<u>\$ (79,490)</u>

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 1 – Organization and Nature of Activities

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 the 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 (see “Revenues” in Note 2) to support its operations and pay principal and interest on its outstanding debt. HYIC is governed by a 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 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.

Note 2 – Summary of Significant Accounting Policies

Reporting Entity

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

Notes to the Financial Statements

June 30, 2026 and 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Presentation

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 government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 debt service fund ("DSF"), a capital projects fund ("CPF"), and a general fund ("GF"). 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 for project expenditures. The GF is used to account for all financial resources not accounted for in the DSF and CPF, which are generally those 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".

Cash Equivalents

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

Investments

Investments are reported at fair value as of the reporting 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.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Revenues

HYIC revenues include:

- Interest Support Payments (“ISP”) that 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 2026 and 2025;
- Payments in lieu of real estate taxes (“PILOTs”) 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 made in accordance with agreements between developers and the IDA and others (“PILOT Agreements”);
- Tax Equivalency Payments (“TEP”) that 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;
- Payments in lieu of mortgage recording tax (“PILOMRT”) that are required to be made by private developers entering into PILOT Agreements;
- District Improvement Bonuses (“DIBs”) that are paid by private developers in exchange for the right to create additional density in the Project Area; and
- Interest earned on unspent bond proceeds and operating revenues that are 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 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 these requirements. 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 financial statements in the year it becomes payable to the Federal government.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Bond Premiums and Discounts

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 are presented as additions or reductions to the face amount of the bonds payable.

Bond Issuance Costs

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 inflows of resources or deferred outflows of resources, respectively, 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 debt service fund, costs of the bond refunding are reported as expenditures when incurred.

Interest Expense

Interest expense is recognized on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when paid in the governmental fund financial statements.

Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned, or 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 HYIC 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 who is duly authorized under HYIC's Indentures to direct the movement of such funds, are accounted for and reported as assigned for such purpose. The 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.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires HYIC's management to make estimates and assumptions in determining the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the date of the financial statements and the amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

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:

- 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. The implementation of GASB 103 enhanced the information provided in management's discussion and analysis but did not have any impact on HYIC's basic 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. The implementation of GASB 104 did not have any impact on HYIC's financial statements as HYIC does not have any capital assets.

Additionally, the GASB has issued the following new standards that are not yet effective:

- In December 2025, GASB issued Statement No. 105, *Subsequent Events* ("GASB 105"). GASB 105 improves the financial reporting requirements for subsequent events. The requirements for GASB 105 are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. HYIC is evaluating the requirements of GASB 105 but does not expect the standard to have a significant impact on its financial statements.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 3 – Cash Equivalents

As of June 30, 2026 and 2025, HYIC did not have any cash deposits on hand. Cash equivalents comprised money market funds. HYIC's cash equivalents are summarized as follows:

	2026	2025
	(in thousands)	
Unrestricted:		
Cash equivalents	\$ 156,355	\$ 68,826
Total unrestricted	156,355	68,826
Restricted:		
Cash equivalents	149,752	134,238
Total restricted	149,752	134,238
Total cash equivalents	\$ 306,107	\$ 203,064

Note 4 – Investments

Investments, including cash equivalents, as of June 30, 2026 and 2025 are summarized as follows:

	2026	2025
	(in thousands)	
Unrestricted:		
Money Market Funds	\$ 156,355	\$ 68,826
United States Treasury Bill (maturing within one year)	-	260,384
United States Treasury Note (maturing within one year)	11,920	-
Total unrestricted investments and cash equivalents	168,275	329,210
Less: amounts reported as unrestricted cash equivalents	(156,355)	(68,826)
Total unrestricted investments	\$ 11,920	\$ 260,384
Restricted:		
Money Market Funds	\$ 149,752	\$ 134,238
US Treasury Notes (maturing within one year)	-	24,982
US Treasury Notes (maturing within one year)	169,748	55,039
Total restricted investments and cash equivalents	319,500	214,259
Less: amounts reported as restricted cash equivalents	(149,752)	(134,238)
Total restricted investments	\$ 169,748	\$ 80,021

HYIC's management invests funds that 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.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 4 – Investments (continued)

Fair Value Hierarchy

HYIC categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. 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 had the following recurring fair value measurements as of June 30, 2026 and 2025:

- Money Market Funds are valued based on various market and industry inputs (Level 1 inputs).
- U.S. Treasury securities are valued based on various market and industry inputs (Level 2 inputs).

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 held in the HYIC's name by the Trustee.

Credit Risk

All investments held by HYIC at June 30, 2026 are obligations of, or guaranteed by, the United States of America, which are rated by S&P AA+, Moody's Aa1, and Fitch AA+, or money market funds invested in eligible governmental 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 limit on the amount HYIC may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2026, 100% of HYIC's invests are in eligible government obligations or in money market funds invested in eligible government obligations.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 5 – Long-Term Debts

Financing History

HYIC financed the Project through the issuance of \$2.0 billion of Fiscal Year 2007 Series A Senior Revenue Bonds (“FY07 Bonds”) on December 21, 2006 and \$1.0 billion of Fiscal Year 2012 Series A Senior Revenue Bonds (“FY12 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-annual interest payment dates of February 15 and August 15 and mature 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 the unrefunded \$609 million of FY12 Bonds be amortized on a substantially level debt service basis to maturity in 2047 through annual sinking fund installations.

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, 2026 and 2025, the Loan had an outstanding balance of \$146 million and \$109 million, respectively.

On June 21, 2021, HYIC defeased \$38.6 million of FY12 Bonds using its existing resources.

On October 27, 2021, HYIC issued \$454 million Fiscal Year 2022 Series A Bonds (“FY22 Bonds” under the Second Indenture. The FY2022 Bonds are serial bonds with semi-annual interest payment dates on February 15 and August 15 and mature on February 15, 2047. Proceeds of the FY22 Bonds were applied, with other available funds, to refund all of the outstanding FY12 Bonds.

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%.

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.

Notes to the Financial Statements

June 30, 2026 and 2025

Changes in Long-Term Debts

A summary of changes in outstanding bonds in fiscal years 2026 and 2025 is as follows (in thousands):

	Outstanding Principal Balance at June 30, 2024	Additions	Deletions	Outstanding Principal Balance at June 30, 2025	Additions	Deletions	Outstanding Principal Balance at June 30, 2026
	(in thousands)						
Bonds:							
Series 2017A	\$ 1,974,275	\$ -	\$ (49,090)	\$ 1,925,185	\$ -	\$ (51,505)	\$ 1,873,680
Series 2017B	33,295	-	-	33,295	-	-	33,295
Series 2022A	454,140	-	-	454,140	-	(7,050)	447,090
Total before premiums	2,461,710	-	(49,090)	2,412,620	-	(58,555)	2,354,065
Premiums	256,465	-	(19,061)	237,404	-	(18,609)	218,795
Total bonds	2,718,175	-	(68,151)	2,650,024	-	(77,164)	2,572,860
Loans:							
Construction Loan	90,130	18,392	-	108,522	37,445	-	145,967
Total debt	\$ 2,808,305	\$ 18,392	\$ (68,151)	\$ 2,758,546	\$ 37,445	\$ (77,164)	\$ 2,718,827
Due within one year	\$ 49,090			\$ 58,555			\$ 207,462

Debt Service Requirements

Debt service requirements, including principal and interest, as of June 30, 2026, are as follows:

Year ended June 30,	Second Indenture Bonds			Direct Borrowing Term Loan		
	Principal	Interest	Total	Principal	Interest ¹	Total
	(in thousands)					
2027	\$ 61,495	\$ 107,305	\$ 168,800	\$ 145,967	\$ 4,656	\$ 150,623
2028	68,845	104,245	173,090	-	-	-
2029	74,255	100,803	175,058	-	-	-
2030	77,970	97,090	175,060	-	-	-
2031	81,870	93,191	175,061	-	-	-
2032 to 2036	474,590	400,699	875,289	-	-	-
2037 to 2041	598,160	277,137	875,297	-	-	-
2042 to 2046	748,285	126,883	875,168	-	-	-
2047	168,595	6,357	174,952	-	-	-
Total	\$ 2,354,065	\$ 1,313,710	\$ 3,667,775	\$ 145,967	\$ 4,656	\$ 150,623

¹The variable interest rate used in this table was 3.19% on the term loan.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 6 - Property Acquisition

As of June 30, 2026, the City had condemned nine property interests for Phase II of the Hudson Yards Project. Although the City is the condemner 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 fixture claims. Eight claims (for four easement claims and four fixture claims) have settled or agreed to settle with the City.

Based upon available information, for fiscal years 2026 and 2025, HYIC accrued contingent liabilities of \$47.4 million and \$97.2 million, respectively. In fiscal years 2026 and 2025, \$14.3 million and \$3.8 million of contingent liabilities were recorded as project costs payable, respectively. 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 each major fund of Hudson Yards Infrastructure Corporation (HYIC) as of and for the year ended June 30, 2026, and the related notes to financial statements, which collectively comprise HYIC's basic financial statements, and have issued our report thereon dated September 24, 2026.

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 or significant deficiencies 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 24, 2026