HUDSON YARDS INFRASTRUCTURE CORPORATION

A Component Unit of
The City of New York

2021 Annual Report

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of
Hudson Yards Infrastructure Corporation

We have audited the accompanying financial statements of the governmental activities of Hudson Yards Infrastructure Corporation ("HYIC"), a component unit of The City of New York, as of and for the years ended June 30, 2021 and 2020, which collectively comprise HYIC's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Hudson Yards Infrastructure Corporation as of June 30, 2021 and 2020, 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.

Other Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Marks Paneth LLP

New York, NY
September 20, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

As of and for the Years Ended June 30, 2021 and 2020 (unaudited)

Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of the Hudson Yards Infrastructure Corporation (“HYIC”) as of June 30, 2021 and 2020, 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 area on the West Side of Manhattan (the “Project”). HYIC does not engage in the development directly, but finances the development which is spearheaded 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 (“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.

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. 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").

On December 21, 2006, HYIC issued its Fiscal 2007 Series A Senior Revenue Bonds ("FY07 Bonds") in the amount of $2 billion, to partially finance the Project. On October 26, 2011, HYIC issued its Fiscal 2012 Series A Senior Revenue Bonds ("FY12 Bonds") in the amount of $1 billion, to finance the Project. The FY12 Bonds are term bonds with semiannual interest payments beginning on February 15, 2012 and maturing on February 15, 2047.

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. Additionally, the refunding enabled HYIC to make a payment to the New York City Transitional Finance Authority ("NYC TFA") to defease a portion of its debt.

On February 1, 2019, HYIC entered into a Term Loan Agreement ("Loan") which presently provides for up to $200 million to finance additional infrastructure projects in the Project Area. As of June 30, 2021 and 2020, the Loan had an outstanding balance of $2.3 million and $545 thousand, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Years Ended June 30, 2021 and 2020 (unaudited) (continued)

Financial Highlights and Overall Analysis — Government-Wide Financial Statements

(amounts in thousands, except as noted)

The following summarizes the activities of HYIC for the years ended June 30, 2021, 2020 and 2019:

	2021	2020	2019	Change 2021 vs 2020	Change 2020 vs 2019
REVENUES:					
Program revenue	$ 288,180	$ 428,638	$ 253,525	$ (140,458)	$ 175,113
Gain on defeasance	967	—	—	967	—
Other revenue	(787)	11,382	11,410	(12,169)	(28)
TOTAL REVENUES	288,360	440,020	264,935	(151,660)	175,085
EXPENSES:					
Project	8,403	(2,136)	34,371	10,539	(36,507)
Interest expenses	115,242	115,392	115,390	(150)	2
Payments to The City of New York	100,000	350,000	100,000	(250,000)	250,000
General and administrative	1,202	1,752	981	(550)	771
TOTAL EXPENSES	224,847	465,008	250,742	(240,161)	214,266
CHANGE IN NET POSITION	63,513	(24,988)	14,193	88,501	(39,181)
NET POSITION (DEFICIT) — Beginning of year	(2,700,656)	(2,675,668)	(2,689,861)	(24,988)	14,193
NET POSITION (DEFICIT) — End of year	$ (2,637,143)	$ (2,700,656)	$ (2,675,668)	$ 63,513	$ (24,988)

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 and interest rates. The negative amount for the year ended June 30, 2021 resulted from payment of accrued interest and premium on investments which exceeded all other revenue for the year. HYIC will offset the investment costs in the subsequent year upon maturity of the investment.

Due to a defeasance of FY12 Bonds in fiscal year 2021, an accounting gain on defeasance of $967 thousand, which represents the difference between the carrying value of the defeased bonds and the amount paid (using current resources) to defease the bonds, was reported as revenue (see Note 5).

Project expenses fluctuate each year based on the timing, progress of construction, and final close out of project expenses. In addition, settlements with condemnation claimants resulted in an $18 million reduction of accrued condemnation expenses, which gave rise to negative overall project expenses in fiscal year 2020 (see Note 5).

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

Financial Highlights and Overall Analysis — Government-Wide Financial Statements

(amounts in thousands, except as noted) (continued)

The following summarizes HYIC's assets, liabilities and net position (deficit) as of June 30, 2021, 2020 and 2019:

	2021	2020	2019	Change 2021 vs 2020	Change 2020 vs 2019
ASSETS:					
Non-capital	$ 423,809	$ 418,543	$ 475,987	$ 5,266	$ (57,444)
TOTAL ASSETS	423,809	418,543	475,987	5,266	(57,444)
LIABILITIES:					
Current liabilities	96,302	66,656	52,974	29,646	13,682
Long-term liabilities	2,877,492	2,974,000	3,017,506	(96,508)	(43,506)
TOTAL LIABILITIES	2,973,794	3,040,656	3,070,480	(66,862)	(29,824)
DEFERRED INFLOWS OF RESOURCES:					
Prepaid PILOT	67,787	58,397	60,254	9,390	(1,857)
Unamortized deferred bond refunding costs	19,371	20,146	20,921	(775)	(775)
TOTAL DEFERRED INFLOWS OF RESOURCES	87,158	78,543	81,175	8,615	(2,632)
NET POSITION (DEFICIT):					
Restricted	—	29,379	26,211	(29,379)	3,168
Unrestricted	(2,637,143)	(2,730,035)	(2,701,879)	92,892	(28,156)
TOTAL NET POSITION (DEFICIT)	$ (2,637,143)	$ (2,700,656)	$ (2,675,668)	$ 63,513	$ (24,988)

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 decrease in long-term liabilities in fiscal year 2021 was primarily due to the defeasance of $38.6 million FY12 Bonds and the shift of approximately $30 million of bonds previously reported as a long-term liability and now reported as a current liability in accordance with HYIC's maturity schedule. The decrease in long-term liabilities in fiscal years 2020 and 2019 was primarily due to the amortization of bond premium and a reduction of contingent liabilities.

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 represents the difference between removing the carrying amount of the refunded FY07 Bonds and FY12 Bonds and recording the FY17 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, 2021, 2020 and 2019 were primarily due to the issuance of bonds that will be repaid from future revenues.

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements

(amounts in thousands, except as noted)

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, 2021, 2020, and 2019:

	2021	2020	2019	Change 2021 vs 2020	Change 2020 vs 2019
REVENUES:					
Program revenue	$ 779	$ —	$ 1,240	$ 779	$ (1,240)
Other revenue	(73)	6,617	13,816	(6,690)	(7,199)
TOTAL REVENUES	706	6,617	15,056	(5,911)	(8,439)
EXPENDITURES	101,202	351,752	100,981	(250,550)	250,771
OTHER FINANCING SOURCES	66,915	289,331	79,631	(222,416)	209,700
NET CHANGE IN FUND BALANCES	(33,581)	(55,804)	(6,294)	22,223	(49,510)
FUND BALANCE — Beginning of year	148,577	204,381	210,675	(55,804)	(6,294)
FUND BALANCE — End of year	$ 114,996	$ 148,577	$ 204,381	$ (33,581)	$ (55,804)

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. Other revenue is comprised of non-recurring application fees associated with IDA agreements entered into by developers and investment income. The negative amount for the year ended June 30, 2021 resulted from payment of accrued interest and premium on investments which exceeded all other revenue for the year. HYIC will offset the investment costs in the subsequent year upon maturity of the investment.

Operating expenditures in fiscal years 2021, 2020, and 2019 included payments of surplus revenues to the City of $100 million, $350 million, and $100 million, respectively. These amounts fluctuate, as previously discussed.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Years Ended June 30, 2021 and 2020 (unaudited) (continued)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements

(amounts in thousands, except as noted) (continued)

The following summarizes the changes in the DSF balances for the years ended June 30, 2021, 2020 and 2019:

	2021	2020	2019	Change 2021 vs 2020	Change 2020 vs 2019
REVENUES:					
Program revenue	$ 287,401	$ 428,638	$ 252,285	$ (141,237)	$ 176,353
Other revenue	(753)	3,925	4,388	(4,678)	(463)
TOTAL REVENUES	286,648	432,563	256,673	(145,915)	175,890
EXPENDITURES:					
Bond principal and interest	181,567	132,252	132,250	49,315	2
OTHER FINANCING SOURCES (USES)	(39,653)	(288,977)	(78,396)	249,324	(210,581)
NET CHANGE IN FUND BALANCES	65,428	11,334	46,027	54,094	(34,693)
FUND BALANCE — Beginning of year	175,451	164,117	118,090	11,334	46,027
FUND BALANCE — End of year	$ 240,879	$ 175,451	$ 164,117	$ 65,428	$ 11,334

Program revenue was greater in fiscal year 2020 when compared to fiscal years 2021 and 2019 due to increased collections, as previously discussed. The negative amount reported as other revenue for the year ended June 30, 2021, resulted from payment of accrued interest and premium on investments which exceeded all other revenue for the year. HYIC will offset the investment costs in the subsequent year upon maturity of the investment.

Expenditures during fiscal year 2021, 2020 and 2019 are comprised of bond principal and interest payments and the increase in fiscal year 2021 when compared to fiscal year 2020 and 2019 was due to a cash defeasance of $38.6 million.

Other financing sources (uses) mainly consist of transfers of Second Indenture surplus funds from the DSF to the GF, as previously discussed.

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements

(amounts in thousands, except as noted) (continued)

The following summarizes the changes in the CPF balances for the years ended June 30, 2021, 2020 and 2019:

	2021	2020	2019	Change 2021 vs 2020	Change 2020 vs 2019
REVENUES	$ 39	$ 840	$ 2,030	$ (801)	$ (1,190)
EXPENDITURES:					
Project costs	8,403	15,874	44,696	(7,471)	(28,822)
OTHER FINANCING SOURCES (USES)	(25,548)	191	(1,235)	(25,739)	1,426
NET CHANGE IN FUND BALANCES	(33,912)	(14,843)	(43,901)	(19,069)	29,058
FUND BALANCE — Beginning of year	29,379	44,222	88,123	(14,843)	(43,901)
FUND BALANCE — End of year	$ (4,533)	$ 29,379	$ 44,222	$ (33,912)	$ (14,843)

The CPF revenues are comprised of interest earnings.

Project expenditures fluctuate each year based on the timing and progress of construction.

The large decrease of other financing sources (uses) in fiscal year 2021 was due to the transfer of $28.1 million to the DSF for the defeasance of FY12 Bonds, as previously discussed, which was offset by $1.7 million of construction loan proceeds. Other financing sources (uses) during fiscal years 2020 and 2019 mainly reflect the transfer of interest collected on unspent bond proceeds from the CPF to the DSF, to be used to pay debt service, in accordance with the terms of the applicable Indentures.

The negative fund balance at fiscal year-end 2021 represents estimated project expenditures incurred that have not been paid. Upon receipt and verification of the invoice, the expenditures will be paid from loan proceeds when drawn.

The following summarizes the GF assets, liabilities, and fund balances as of June 30, 2021, 2020 and 2019:

	2021	2020	2019	Change 2021 vs 2020	Change 2020 vs 2019
ASSETS:					
Unrestricted cash equivalents	$ 115,107	$ 148,817	$ 204,509	$ (33,710)	$ (55,692)
Other receivables	36	36	—	—	36
TOTAL ASSETS	$ 115,143	$ 148,853	$ 204,509	$ (33,710)	$ (55,656)
LIABILITIES:	$ 147	$ 276	$ 128	$ (129)	$ 148
FUND BALANCES:					
Unassigned	114,996	148,577	204,381	(33,581)	(55,804)
TOTAL FUND BALANCES	114,996	148,577	204,381	(33,581)	(55,804)
TOTAL LIABILITIES AND FUND BALANCES	$ 115,143	$ 148,853	$ 204,509	$ (33,710)	$ (55,656)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements

(amounts in thousands, except as noted) (continued)

The GF assets are mainly comprised of 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, 2021, 2020 and 2019:

	2021	2020	2019	Change 2021 vs 2020	Change 2020 vs 2019
ASSETS:					
Restricted cash equivalents and investments	$ 308,666	$ 233,594	$ 224,341	$ 75,072	$ 9,253
Due from capital projects fund	—	254	30	(254)	224
TOTAL ASSETS	$ 308,666	$ 233,848	$ 224,371	$ 74,818	$ 9,477
DEFERRED INFLOWS OF RESOURCES:					
Prepaid PILOT	$ 67,787	$ 58,397	$ 60,254	$ 9,390	$ (1,857)
FUND BALANCES:					
Restricted	240,879	175,451	164,117	65,428	11,334
TOTAL FUND BALANCES	240,879	175,451	164,117	65,428	11,334
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 308,666	$ 233,848	$ 224,371	$ 74,818	$ 9,477

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Years Ended June 30, 2021 and 2020 (unaudited) (continued)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements

(amounts in thousands, except as noted) (continued)

The following summarizes the CPF assets, liabilities, and fund balances as of June 30, 2021, 2020 and 2019:

	2021	2020	2019	Change 2021 vs 2020	Change 2020 vs 2019
ASSETS:					
Restricted cash equivalents and investments	$ —	$ 36,096	$ 47,137	$ (36,096)	$ (11,041)
TOTAL ASSETS	$ —	$ 36,096	$ 47,137	$ (36,096)	$ (11,041)
LIABILITIES:					
Project costs payable	$ 4,533	$ 6,463	$ 2,885	$ (1,930)	$ 3,578
Due to debt service fund	—	254	30	254	224
TOTAL LIABILITIES	4,533	6,717	2,915	(2,184)	3,802
FUND BALANCES:					
Restricted	—	29,379	44,222	(29,379)	(14,843)
Unassigned	(4,533)	—	—	(4,533)	—
TOTAL FUND BALANCES	(4,533)	29,379	44,222	(33,912)	(14,843)
TOTAL LIABILITIES AND FUND BALANCES	$ —	$ 36,096	$ 47,137	$ (36,096)	$ (11,041)

CPF assets on hand at June 30, 2020 and 2019 represented unspent bond proceeds. The negative fund balance at fiscal year-end 2021 reflects estimated Project expenditures incurred but not paid, as previously discussed. The decrease in fund balances in fiscal years 2020 and 2019 reflected Project expenditures made during that year.

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements

(amounts in thousands, except as noted) (continued)

Economic Outlook

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. HYIC could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on HYIC will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, HYIC cannot predict the extent to which it will be affected.

In April 2020, HYIC received a negative outlook by Moody's and by Fitch. In October 2020, Moody's downgraded HYIC debt to Aa3 and maintained a negative outlook. In December 2020, Fitch downgraded the FY12 Bonds to A+ and the FY17 Bonds to A and maintained the negative outlook. Additionally, S&P Global assigned a negative outlook at that time. Subsequently, in May 2021, S&P Global and Moody's revised their outlook to stable. In August 2021, Fitch revised their outlook to stable on HYIC debt.

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.

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STATEMENTS OF NET POSITION (DEFICIT)

As of June 30, 2021 and 2020 (amounts in thousands)

	2021	2020
ASSETS:		
Unrestricted cash equivalents	$ 28,006	$ 122,708
Restricted cash equivalents	97,433	103,515
Unrestricted investments	87,100	26,106
Restricted investments	211,231	166,175
Interest receivable	3	3
Other receivables	36	36
Total assets	423,809	418,543
LIABILITIES:		
Project costs payable	4,235	6,086
Accounts payable	147	276
Payable to The City of New York	298	255
Payable to Hudson Yards Development Corporation	—	122
Accrued bond interest payable	48,932	49,962
Long-term debt:		
Portion due within one year	42,690	9,955
Portion due after one year	2,877,492	2,974,000
Total liabilities	2,973,794	3,040,656
DEFERRED INFLOWS OF RESOURCES:		
Prepaid PILOT	67,787	58,397
Unamortized deferred bond refunding costs	19,371	20,146
Total deferred inflows of resources	87,158	78,543
NET POSITION (DEFICIT):		
Restricted for capital projects	—	29,379
Unrestricted (deficit)	(2,637,143)	(2,730,035)
Total net position (deficit)	$ (2,637,143)	$ (2,700,656)

See notes to financial statements.

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2021 and 2020 (amounts in thousands)

	2021	2020
REVENUES:		
District improvement bonus revenue	$ —	$ 120,907
Tax equivalency payment revenue	154,361	129,847
PILOMRT revenue	6,423	57,130
PILOT revenue	127,396	120,754
Other revenue	—	1,776
Gain on defeasance	967	—
Investment (loss) income	(787)	9,606
Total revenues	288,360	440,020
EXPENSES:		
Project — subway extension	5,166	4,423
Project — land acquisition and public amenities	2,488	(7,914)
Project — transfer to Hudson Yards Development Corporation	749	1,355
Interest expenses	115,242	115,392
Payments to The City of New York	100,000	350,000
General and administrative	1,202	1,752
Total expenses	224,847	465,008
CHANGE IN NET POSITION (DEFICIT)	63,513	(24,988)
NET POSITION (DEFICIT) — Beginning of year	(2,700,656)	(2,675,668)
NET POSITION (DEFICIT) — End of year	$ (2,637,143)	$ (2,700,656)

See notes to financial statements.

GOVERNMENTAL FUNDS BALANCE SHEET

As of June 30, 2021 (amounts in thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Unrestricted cash equivalents	$ 28,006	$ —	$ —	$ 28,006
Restricted cash equivalents	—	97,433	—	97,433
Unrestricted investments	87,100	-	—	87,100
Restricted investments	—	211,231	—	211,231
Interest receivable	1	2	—	3
Other receivables	36	—	—	36
Total assets	$ 115,143	$ 308,666	$ —	$ 423,809
LIABILITIES:				
Project costs payable	$ —	$ —	$ 4,235	$ 4,235
Accounts payable	147	—	—	147
Payable to The City of New York	—	—	298	298
Total liabilities	147	—	4,533	4,680
DEFERRED INFLOWS OF RESOURCES:				
Prepaid PILOT	—	67,787	—	67,787
Total deferred inflows of resources	—	67,787	—	67,787
FUND BALANCES:				
Restricted for:				
Debt service	—	240,879	—	240,879
Unassigned	114,996	—	(4,533)	110,463
Total fund balances	114,996	240,879	(4,533)	351,342
Total liabilities, deferred inflows of resources and fund balances	$ 115,143	$ 308,666	$ —	$ 423,809

See notes to financial statements.

GOVERNMENTAL FUNDS BALANCE SHEET

As of June 30, 2020 (amounts in thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Unrestricted cash equivalents	$ 122,708	$ —	$ —	$ 122,708
Restricted cash equivalents	—	101,107	2,408	103,515
Unrestricted investments	26,106	—	—	26,106
Restricted investments	—	132,487	33,688	166,175
Interest receivable	3	—	—	3
Due from capital projects fund	—	254	—	254
Other receivables	36	—	—	36
Total assets	$ 148,853	$ 233,848	$ 36,096	$ 418,797
LIABILITIES:				
Project costs payable	$ —	$ —	$ 6,086	$ 6,086
Accounts payable	276	—	—	276
Due to debt service fund	—	—	254	254
Payable to The City of New York	—	—	255	255
Payable to Hudson Yards Development Corporation	—	—	122	122
Total liabilities	276	—	6,717	6,993
DEFERRED INFLOWS OF RESOURCES:				
Prepaid PILOT	—	58,397	—	58,397
Total deferred inflows of resources	—	58,397	—	58,397
FUND BALANCES:				
Restricted for:				
Debt service	—	175,451	—	175,451
Capital projects	—	—	29,379	29,379
Unassigned	148,577	—	—	148,577
Total fund balances	148,577	175,451	29,379	353,407
Total liabilities, deferred inflows of resources and fund balances	$ 148,853	$ 233,848	$ 36,096	$ 418,797

See notes to financial statements.

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT)

As of June 30, 2021 and 2020 (amounts in thousands)

	2021	2020
TOTAL FUND BALANCES — GOVERNMENTAL FUNDS	$ 351,342	$ 353,407
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.	(242,598)	(259,540)
Costs of bond refundings are reported as expenditures in the governmental funds financial statements. However, in the statements of net position (deficit), those costs and the related gain or loss are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	(19,371)	(20,146)
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	(2,675,325)	(2,723,870)
Accrued bond interest payable	(48,932)	(49,962)
Construction loan	(2,259)	(545)
NET POSITION (DEFICIT) — GOVERNMENTAL ACTIVITIES	$ (2,637,143)	$ (2,700,656)

See notes to financial statements.

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the year ended June 30, 2021 (amounts in thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Tax equivalency payment revenue	$ 779	$ 153,582	$ —	$ 154,361
PILOMRT revenue	—	6,423	—	6,423
PILOT revenue	—	127,396	—	127,396
Investment income	(73)	(753)	39	(787)
Total revenues	706	286,648	39	287,393
EXPENDITURES:				
Project — subway extension	—	—	5,166	5,166
Project — land acquisition and public amenities	—	—	2,488	2,488
Project — transfers to Hudson Yards Development Corporation	—	—	749	749
Interest expenses	—	133,022	—	133,022
Principal amount of bonds retired	—	48,545	—	48,545
Payment to The City of New York	100,000	—	—	100,000
General and administrative	1,202	—	—	1,202
Total expenditures	101,202	181,567	8,403	291,172
OTHER FINANCING SOURCES (USES):				
Construction loan	—	—	1,714	1,714
Transfers in (out)	66,915	(39,653)	(27,262)	—
Total other financing sources (uses)	66,915	(39,653)	(25,548)	1,714
NET CHANGE IN FUND BALANCES	(33,581)	65,428	(33,912)	(2,065)
FUND BALANCES — Beginning of year	148,577	175,451	29,379	353,407
FUND BALANCES — End of year	$ 114,996	$ 240,879	$ (4,533)	$ 351,342

See notes to financial statements.

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the year ended June 30, 2020 (amounts in thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
District improvement bonus revenue	$ —	$ 120,907	$ —	$ 120,907
Tax equivalency payment revenue	—	129,847	—	129,847
PILOMRT revenue	—	57,130	—	57,130
PILOT revenue	—	120,754	—	120,754
Other revenue	1,776	—	—	1,776
Investment income	4,841	3,925	840	9,606
Total revenues	6,617	432,563	840	440,020
EXPENDITURES:				
Project — subway extension	—	—	4,423	4,423
Project — land acquisition and public amenities	—	—	10,096	10,096
Project — transfers to Hudson Yards Development Corporation	—	—	1,355	1,355
Interest expenses	—	132,252	—	132,252
Payment to The City of New York	350,000	—	—	350,000
General and administrative	1,752	—	—	1,752
Total expenditures	351,752	132,252	15,874	499,878
OTHER FINANCING SOURCES (USES):				
Construction loan	—	—	545	545
Transfers in (out)	289,331	(288,977)	(354)	—
Total other financing sources (uses)	289,331	(288,977)	191	545
NET CHANGE IN FUND BALANCES	(55,804)	11,334	(14,843)	(59,313)
FUND BALANCES — Beginning of year	204,381	164,117	44,222	412,720
FUND BALANCES — End of year	$ 148,577	$ 175,451	$ 29,379	$ 353,407

See notes to 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, 2021 and 2020 (amounts in thousands)

	2021	2020
NET CHANGE IN FUND BALANCES — TOTAL GOVERNMENTAL FUNDS	$ (2,065)	$ (59,313)
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 recognized as an offset of interest expense over the life of the bonds.	15,975	16,085
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).	48,545	—
Loan proceeds provide current financial resources to the governmental funds, but debt issued increased long-term liabilities on the statements of net position (deficit).	(1,714)	(545)
Payments to defease bonds prior to maturity are reported as expenditures in the governmental funds financial statements. However, in the statements of net position (deficit), only the difference between the carrying value of the defeased bonds and the amount paid to defease the bonds are reported as period revenues and expenses.	967	—
The governmental funds financial statements report costs of bond refundings as expenditures. However, in the statements of activities, the costs of bond refundings are amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to refund the bonds.	775	775
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.	—	18,010
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.	1,030	—
CHANGE IN NET POSITION (DEFICIT) — GOVERNMENTAL ACTIVITIES	$ 63,513	$ (24,988)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020 (amounts in thousands, except as noted)

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 area on the West Side of Manhattan (the "Project"). HYIC does not engage in development directly, but finances development spearheaded 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.

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.

2. Summary of Significant Accounting Policies (continued)

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 the 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.

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.

2. Summary of Significant Accounting Policies (continued)

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 and having a cost of more than $35 thousand. 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;

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;

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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

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 2017, GASB issued Statement No. 87, *Leases*, ("GASB 87"). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019 (Postponed to fiscal years beginning after June 15, 2021. See GASB 95 below). HYIC has not completed the process of evaluating GASB 87 but does not expect it to have an impact on HYIC's financial statements, as it does not enter into lease agreements.

- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*, ("GASB 92"). GASB 92 enhances the comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements for GASB 92 are effective for reporting periods beginning after June 15, 2020 (Postponed to fiscal years beginning after June 15, 2021. See GASB 95 below). HYIC has not completed the process of evaluating GASB 92 but does not expect it to have an impact on HYIC's financial statements.

- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, ("GASB 93"). GASB 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate ("IBOR") — most notably, the London Interbank Offered Rate ("LIBOR") resulting from global reference rate reform. LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements for GASB 93 are effective for reporting periods beginning after June 15, 2020. (Postponed paragraphs 13 and 14 to fiscal years beginning after June 15, 2021. See GASB 95 below). HYIC has not completed the process of evaluating GASB 93 but does not expect it to have an impact on HYIC's financial statements.

- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, ("GASB 94"). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. HYIC has not completed the process of evaluating GASB 94 but does not expect it to have an impact on HYIC's financial statements as it does not enter into PPPs.

2. Summary of Significant Accounting Policies (continued)

- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, ("GASB 95"). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. HYIC's has not completed the process of evaluating GASB 96 but does not expect it to have an impact on HYIC's financial statements as it does not enter into SBITAs.

- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, ("GASB 97"). The objectives of GASB 97 are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 are effective for fiscal years beginning after June 15, 2021. HYIC has not completed the process of evaluating GASB 97 but does not expect it to have an impact on HYIC's financial statements, as HYIC does not have such plans.

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020 (continued) (amounts in thousands, except as noted)

3. Cash and Cash Equivalents

As of June 30, 2021 and 2020, HYIC did not have any cash deposits on hand.

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

	2021	2020
UNRESTRICTED:		
Cash Equivalents	$ 28,006	$ 122,708
Total unrestricted	28,006	122,708
RESTRICTED:		
Cash Equivalents	97,433	103,515
Total restricted	97,433	103,515
Total Cash Equivalents	$ 125,439	$ 226,223

4. Investments

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

	2021	2020
UNRESTRICTED:		
Money Market Funds	$ 28,006	$ 122,708
U.S. Treasury Note (maturing within one year)	69,235	26,106
U.S. Treasury Note (maturing after one year)	17,865	—
Total Unrestricted	115,106	148,814
RESTRICTED FOR DEBT SERVICE:		
Money Market Funds	29,437	60,105
U.S. Treasury Bill (maturing within one year)	67,996	173,489
U.S. Treasury Notes (maturing within one year)	211,231	—
Total Restricted for Debt Service	308,664	233,594
RESTRICTED FOR CAPITAL PROJECTS:		
Money Market Funds	—	2,408
U.S. Treasury Bill (maturing within one year)	—	33,688
Total Restricted for Capital Projects	—	36,096
Total Investments including cash equivalents	423,770	418,504
Less amounts reported as cash equivalents (see Note 3)	(125,439)	(226,223)
Total Investments	$ 298,331	$ 192,281

4. Investments (continued)

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.

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, 2021 and 2020:

- Money Market Funds are valued based on various market and industry inputs (Level 2 inputs).
- U.S. Treasury securities of $366 million and $233 million, respectively, 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 registered and are held by HYIC's agent in HYIC's name.

Credit Risk

All investments held by HYIC at June 30, 2021 and 2020 are obligations of, or guaranteed by, the United States of America, which are rated by S&P Global AA+, Moody's Aaa, and Fitch AAA; 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, 2021 and 2020, 100% of HYIC's investments are in eligible government obligations or in money market funds invested in eligible government obligations.

5. Long-Term Liabilities

Changes in Long-term Liabilities

On December 21, 2006, HYIC issued the Series 2007A Bonds in the amount of $2 billion to partially finance the Project. The Series 2007A bonds were term bonds with semiannual interest payment dates beginning on August 15, 2007 and maturing on February 15, 2047. On October 26, 2011, HYIC issued its Fiscal 2012 Series A Senior Revenue Bonds in the amount of $1 billion. HYIC has pledged all revenues and its proceeds from sales of TDRs to secure the bonds to finance the remaining portion of the Project. The Series 2012A Bonds are term bonds with semiannual interest payments beginning on February 15, 2012, and maturing on February 15, 2047. Debt service payments the Series 2007A Bonds and the Series 2012A Bonds were made from revenues and TDRs sale proceeds received as a result of development in the Hudson Yards Financing District.

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. Interest on FY17 Bonds is paid semi-annually on February 15 and August 15. 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. Additionally, the refunding enabled HYIC to make a payment to the New York City Transitional Finance Authority (“NYC TFA”) to defease a portion of its debt.

On June 21, 2021, HYIC defeased $38.6 million of Fiscal 2012 A Senior 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 February 1, 2019, HYIC entered into a Term Loan Agreement (“Loan”) which presently provides for up to $200 million to finance additional infrastructure projects in the Project Area. As of June 30, 2021 and 2020, the Loan had an outstanding balance of $2.3 million and $545 thousand, respectively.

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 5.75%.

As of and for the Years Ended June 30, 2021 and 2020 (continued) (amounts in thousands, except as noted)

5. Long-Term Liabilities (continued)

A summary of changes in outstanding bonds and other long-term debt during the year ended June 30, 2021 follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
BONDS:				
Fiscal 2012 Series A	$ 582,110	$ —	$ (48,545)	$ 533,565
Fiscal 2017 Series A	2,108,465	—	—	2,108,465
Fiscal 2017 Series B	33,295	—	—	33,295
Total before premium	2,723,870	—	(48,545)	2,675,325
Premium	259,540	—	(16,942)	242,598
Total bonds	2,983,410	—	(65,487)	2,917,923
LOAN:				
Construction loan	545	1,714	—	2,259
Total debt	$ 2,983,955	$ 1,714	$ (65,487)	$ 2,920,182
Due Within One Year				$ 42,690

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.

A summary of changes in outstanding bonds and other long-term debt during the year ended June 30, 2020 follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
BONDS:				
Fiscal 2012 Series A	$ 582,110	$ —	$ —	$ 582,110
Fiscal 2017 Series A	2,108,465	—	—	2,108,465
Fiscal 2017 Series B	33,295	—	—	33,295
Total before premium	2,723,870	—	—	2,723,870
Premium	275,625	—	(16,085)	259,540
Total bonds	2,999,495	—	(16,085)	2,983,410
LOAN:				
Construction loan	—	545	—	545
Total debt	$ 2,999,495	$ 545	$ (16,085)	$ 2,983,955
Due Within One Year				$ 9,955

As of and for the Years Ended June 30, 2021 and 2020 (continued) (amounts in thousands, except as noted)

5. Long-Term Liabilities (continued)

Debt service requirements on bonds, including principal and interest, at June 30, 2021, are as follows:

	First Indenture Bonds		Second Indenture Bonds		Total		
Years Ended June 30,	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Debt Service**
2022	$ —	$ 28,951	$ 42,690	$ 100,571	$ 42,690	$ 129,522	$ 172,212
2023	6,360	28,951	44,675	98,585	51,035	127,536	178,571
2024	6,710	28,619	46,825	96,433	53,535	125,052	178,587
2025	7,070	28,269	49,090	94,169	56,160	122,438	178,598
2026	7,460	27,901	51,505	91,756	58,965	119,657	178,622
2027 to 2031	68,600	131,354	298,725	417,576	367,325	548,930	916,255
2032 to 2036	99,415	108,762	380,940	335,363	480,355	444,125	924,480
2037 to 2041	129,580	78,601	482,145	234,157	611,725	312,758	924,483
2042 to 2046	168,885	39,289	607,515	108,671	776,400	147,960	924,360
2047	39,485	2,148	137,650	5,506	177,135	7,654	184,789
Totals	$ 533,565	$ 502,845	$ 2,141,760	$ 1,582,787	$ 2,675,325	$ 2,085,632	$ 4,760,957

Claims and Litigation

During fiscal year 2010, the City began receiving appraisals from claimants with pending claims for additional compensation for the City's acquisitions of their interests within the Project Area. Although the City is the condemnor of property interest for the Project, HYIC is responsible for funding any payments ultimately determined to be payable on such claims.

In September 2011 (fiscal year 2012), the New York State Supreme Court (the "Court") issued a determination that the Claimants' appraisals had relied upon an erroneous zoning assumption. The Claimants appealed the Court's determination to the Appellate Division, First Department, which, in May 2013, affirmed the lower court's decision. As of the fiscal years ended June 30, 2013 and 2012, the Claimants did not submit amended appraisals. In view of the aforesaid determination by the Courts rejecting the Claimants' appraisals, the Corporation's potential liability as of June 30, 2013 and 2012, if any, with respect to these claims was not estimable and therefore any accrued estimated liabilities were removed from HYIC's financial statements for those years.

In June 2014, the Claimants submitted amended appraisals to the City based on the appropriate zoning assumptions for the majority of the properties and the City was informed that the balance of amended appraisals for the remaining properties would be submitted in fiscal year 2015. In view of these events and based on a range of typical outcomes of prior City condemnation cases, it may be reasonable to assume that certain of the Project condemnation claims may result in awards greater or less than 150 percent of the City's appraised values. Therefore, the contingent liability was estimated at the lesser of the new appraised value or 50 percent of the City's appraised value, plus 6 percent simple interest from the date of the condemnation. As of June 30, 2014, the estimated contingent liability was approximately $73.9 million. In addition, as of June 30, 2014, other claimants, who were not a party to the above proceedings, filed suit related to valuations as part of condemnation proceedings.

5. Long-Term Liabilities (continued)

In fiscal year 2015, the balance of amended appraisals for the properties was submitted. Therefore, the contingent liability was recalculated based on 50% of the City's Appraised Value and the interest calculated at 6% simple interest from the date the property was condemned plus 18% for potential legal fees under NY EDPL §701. However, in some cases, the difference between the City and Claimant's Vesting Appraisal Amount was less than the 50% of the aggregate amount of the City's appraised value so the difference was used as the contingent liability. Therefore, as of June 30, 2015, the estimated contingent liability was approximately $47.1 million.

Since the recalculation of the contingent liability in fiscal year 2015, the contingent liability has been adjusted for settled cases and accrued interest and as of June 30, 2020, all cases have been settled. As a result, an $18 million reduction of remaining accrued condemnation expenses was reduced from long-term liabilities.

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Hudson Yards Infrastructure Corporation

255 Greenwich Street
6th Floor
New York, NY 10007

www.nyc.gov/hyic