Hudson Yards Infrastructure Corporation

(A Component Unit of The City of New York)

Financial Statements
(Together with Independent Auditors' Report)

June 30, 2023 and 2022

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

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors
Hudson Yards Infrastructure Corporation
New York, NY

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and governmental funds of Hudson Yards Infrastructure Corporation ("HYIC"), a component unit of The City of New York, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise HYIC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and governmental funds of HYIC as of June 30, 2023 and 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HYIC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS we:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HYIC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HYIC's ability to continue as a going concern for a reasonable period of time.

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

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 13 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 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.

Mayer Hoffman McCann CPAs

New York, NY
September 26, 2023

Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of Hudson Yards Infrastructure Corporation ("HYIC") as of June 30, 2023 and 2022, and for the years then ended. It should be read in conjunction with HYIC's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements; and (4) the notes to the financial statements.

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

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

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

Organizational Overview

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

Organizational Overview (continued)

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

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

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

On February 1, 2019, HYIC entered into a Term Loan Agreement ("Loan") which presently provides up to $380 million to finance additional infrastructure projects in the Project Area. The Loan was extended in June 2022 to a scheduled expiration date of June 30, 2027. As of June 30, 2023 and 2022, the Loan had an outstanding balance of $10.6 million and $4.5 million, respectively.

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

Financial Highlights and Overall Analysis — Government-Wide Financial Statements

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

	2023	2022	2021	Variance 2023 vs 2022	Variance 2022 vs 2021
			(in thousands)		
Revenues:					
Program revenue	$ 338,971	$ 325,604	$ 288,180	$ 13,367	$ 37,424
Gain on defeasance	-	-	967	-	(967)
Other revenue (loss)	17,674	(1,687)	(787)	19,361	(900)
Total revenues	356,645	323,917	288,360	32,728	35,557
Expenses:					
Project	62,060	5,407	8,403	56,653	(2,996)
Interest expenses	95,603	100,451	115,242	(4,848)	(14,791)
Payments to The City of New York	200,000	-	100,000	200,000	(100,000)
Cost of bond issuance	-	4,384	-	(4,384)	4,384
General and administrative	1,523	1,281	1,202	242	79
Total expenses	359,186	111,523	224,847	247,663	(113,324)
Change in net position (deficit)	(2,541)	212,394	63,513	(214,935)	148,881
Net position (deficit) - beginning of year	(2,424,749)	(2,637,143)	(2,700,656)	212,394	63,513
Net position (deficit) - end of year	$(2,427,290)	$(2,424,749)	$(2,637,143)	$ (2,541)	$ 212,394

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 (loss) is primarily composed of: 1) IDA fees that fluctuate based on IDA agreements entered into by developers, and 2) investment income (loss) which fluctuates based on the balance of cash holdings, interest rates, and market conditions. The negative investment income reported in fiscal year 2022 and 2021 resulted from the mark to market valuation on investments held by HYIC. All investments held by HYIC are expected to be held to maturity and, as such, will not realize losses on market valuations.

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

Project expenses fluctuate each year based on timing, progress of construction, and final closeout of project expenses. In fiscal year 2023 the City condemned and acquired nine property interests for Phase II of the Hudson Yards Project under the principles of eminent domain. The property acquisition caused an increase of $57 million in project expenses in fiscal year 2023.

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

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

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

	2023	2022	2021	Variance 2023 vs 2022	Variance 2022 vs 2021
			(in thousands)		
Assets:					
Non-capital	$ 601,711	$ 588,199	$ 423,809	$ 13,512	$ 164,390
Total assets	601,711	588,199	423,809	13,512	164,390
Liabilities:					
Current liabilities	150,069	95,875	96,302	54,194	(427)
Long-term liabilities	2,748,223	2,808,637	2,877,492	(60,414)	(68,855)
Total liabilities	2,898,292	2,904,512	2,973,794	(6,220)	(69,282)
Deferred inflows of resources:					
Prepaid PILOT	103,947	80,511	67,787	23,436	12,724
Unamortized deferred bond refunding costs	26,762	27,925	19,371	(1,163)	8,554
Total deferred inflows of resources	130,709	108,436	87,158	22,273	21,278
Net position (deficit):					
Unrestricted	(2,427,290)	(2,424,749)	(2,637,143)	(2,541)	212,394
Total net position (deficit)	$(2,427,290)	$(2,424,749)	$(2,637,143)	$ (2,541)	$ 212,394

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

The increase in current liabilities in fiscal year 2023 was primarily due to the Phase II property acquisitions previously discussed. The decrease in long-term liabilities in fiscal year 2023 was primarily due to scheduled annual principal payments and amortization of bond premium and in fiscal year 2022 the decrease was primarily due to the FY2022 bond refunding, annual principal payments, and amortization of bond premium.

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

The large negative unrestricted net position (deficit) balances at June 30, 2023, 2022 and 2021 were primarily due to the issuance of bonds that will be repaid from future revenues.

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements

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

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

	2023	2022	2021	Variance 2023 vs 2022	Variance 2022 vs 2021
			(in thousands)		
Revenues:					
Program revenue	$ 764	$ 782	$ 779	$ (18)	$ 3
Other revenue (loss)	10,808	82	(73)	10,726	155
Total revenues	11,572	864	706	10,708	158
Expenditures	201,523	1,281	101,202	200,242	(99,921)
Other financing sources (uses)	483,235	60,283	66,915	422,952	(6,632)
Net change in fund balances	293,284	59,866	(33,581)	233,418	93,447
Fund balance - beginning of year	174,862	114,996	148,577	59,866	(33,581)
Fund balance - end of year	$ 468,146	$ 174,862	$ 114,996	$ 293,284	$ 59,866

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

Operating expenditures in fiscal years 2023 and 2021 included payments of surplus revenues to the City of $200 million and $100 million, respectively. There were no payments to the City in fiscal year 2022. These amounts fluctuate, as previously discussed.

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

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

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

	2023	2022	2021	Variance 2023 vs 2022	Variance 2022 vs 2021
			(in thousands)		
Revenues:					
Program revenue	$ 338,207	$ 324,822	$ 287,401	$ 13,385	$ 37,421
Other revenue (loss)	6,866	(1,769)	(753)	8,635	(1,016)
Total revenues	345,073	323,053	286,648	22,020	36,405
Expenditures	161,978	708,009	181,567	(546,031)	526,442
Other financing sources (uses)	(486,389)	476,738	(39,653)	(963,127)	516,391
Net change in fund balances	(303,294)	91,782	65,428	(395,076)	26,354
Fund balance - beginning of year	332,661	240,879	175,451	91,782	65,428
Fund balance - end of year	$ 29,367	$ 332,661	$ 240,879	$ (303,294)	$ 91,782

Program revenue was greater in fiscal year 2023 when compared to fiscal years 2022 and 2021 due to increased collections, as previously discussed. The negative amount reported as other revenue for the year ended June 30, 2022, resulted from the mark to market valuation on investments held by HYIC. All investments held by HYIC are expected to be held to maturity and, as such, will not realize losses on market valuations.

Expenditures during fiscal years 2023, 2022 and 2021 were mainly comprised of bond principal and interest payments and the increase in fiscal year 2022 when compared to fiscal years 2023 and 2021 was due to the refinancing completed in fiscal year 2022.

Other financing sources (uses) in fiscal year 2022 mainly consisted of the proceeds from the refunding transaction. Other financing sources (uses) in fiscal years 2023 and 2021 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 (continued)

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

	2023	2022	2021	Variance 2023 vs 2022	Variance 2022 vs 2021
			(in thousands)		
Revenues	$ -	$ -	$ 39	$ -	$ (39)
Expenditures:					
Project costs	62,060	5,407	8,403	56,653	(2,996)
Other financing sources (uses)	9,324	3,131	(25,548)	6,193	28,679
Net change in fund balances	(52,736)	(2,276)	(33,912)	(50,460)	31,636
Fund balance - beginning of year	(6,809)	(4,533)	29,379	(2,276)	(33,912)
Fund balance - end of year	$ (59,545)	$ (6,809)	$ (4,533)	$ (52,736)	$ (2,276)

The CPF revenues are comprised of interest earnings.

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

Other financing sources (uses) during fiscal year 2022 mainly reflect the draw of loan proceeds. 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.

The negative fund balance at fiscal year-end 2023, 2022, and 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.

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

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

	2023	2022	2021	Variance 2023 vs 2022	Variance 2022 vs 2021
			(in thousands)		
Assets:					
Unrestricted cash equivalents and investment	$ 467,967	$ 174,919	$ 115,107	$ 293,048	$ 59,812
Other receivables	430	108	36	322	72
Total assets	$ 468,397	$ 175,027	$ 115,143	$ 293,370	$ 59,884
Liabilities:	$ 251	$ 165	$ 147	$ 86	$ 18
Fund Balances:					
Unassigned	468,146	174,862	114,996	293,284	59,866
Total fund balances	468,146	174,862	114,996	293,284	59,866
Total liabilities and fund balances	$ 468,397	$ 175,027	$ 115,143	$ 293,370	$ 59,884

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.

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

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

	2023	2022	2021	Variance 2023 vs 2022	Variance 2022 vs 2021
			(in thousands)		
Assets:					
Restricted cash equivalents and investments	$ 133,216	$ 413,126	$ 308,666	$ (279,910)	$ 104,460
Interest and other receivables	98	46	-	52	46
Total assets	$ 133,314	$ 413,172	$ 308,666	$ (279,858)	$ 104,506
Deferred inflows of resources:					
Prepaid PILOT	$ 103,947	$ 80,511	$ 67,787	$ 23,436	$ 12,724
Fund balances:					
Restricted	29,367	332,661	240,879	(303,294)	91,782
Total fund balances	29,367	332,661	240,879	(303,294)	91,782
Total deferred inflows of resources and fund balances	$ 133,314	$ 413,172	$ 308,666	$ (279,858)	$ 104,506

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

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

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

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

				Variance	
	2023	2022	2021	2023 vs 2022	2022 vs 2021
			(in thousands)		
Assets:					
Restricted cash equivalents and investments	$ -	$ -	$ -	$ -	$ -
Total assets	$ -	$ -	$ -	$ -	$ -
Liabilities:					
Project costs payable	$ 59,545	$ 6,809	$ 4,533	$ 52,736	$ 2,276
Total liabilities	59,545	6,809	4,533	52,736	2,276
Fund balances (deficit):					
Restricted	-	-	-	-	-
Unassigned	(59,545)	(6,809)	(4,533)	(52,736)	(2,276)
Total fund balances (deficit)	(59,545)	(6,809)	(4,533)	(52,736)	(2,276)
Total liabilities and fund balances (deficit)	$ -	$ -	$ -	$ -	$ -

The negative fund balance at fiscal year-end 2023, 2022, and 2021 reflects estimated Project expenditures incurred but not paid, as previously discussed.

Economic Outlook

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

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

STATEMENTS OF NET POSITION (DEFICIT)
AS OF JUNE 30, 2023 AND 2022

	2023	2022
	(in thousands)	
ASSETS:		
Unrestricted cash equivalents	$ 87,980	$ 155,081
Restricted cash and cash equivalents	105,192	118,060
Unrestricted investments	379,987	19,838
Restricted investments	28,024	295,066
Interest receivable	492	118
Other receivables	36	36
Total assets	601,711	588,199
LIABILITIES:		
Project costs payable	57,354	6,374
Accounts payable	251	165
Payable to The City of New York	-	17
Grant Due to HYDC	2,191	418
Accrued bond interest payable	43,448	44,226
Long-term debt:		
Portion due within one year	46,825	44,675
Portion due after one year	2,748,223	2,808,637
Total liabilities	2,898,292	2,904,512
DEFERRED INFLOWS OF RESOURCES:		
Prepaid PILOT	103,947	80,511
Unamortized gain on refunding	26,762	27,925
Total deferred inflows of resources	130,709	108,436
NET POSITION (DEFICIT):		
Unrestricted (deficit)	(2,427,290)	(2,424,749)
Total net position (deficit)	$ (2,427,290)	$ (2,424,749)

See notes to financial statements.

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

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
	(in thousands)	
REVENUES:		
District improvement bonus revenue	$ 2,656	$ 26,044
Tax equivalency payment revenue	154,574	124,078
PILOMRT revenue	22,097	39,270
PILOT revenue	159,644	136,212
Other revenue	-	2
Investment (loss)	17,674	(1,689)
Total revenues	356,645	323,917
EXPENSES:		
Project - subway extension	-	2,395
Project - land acquisition and public amenities	57,367	12
Project - transfer to HYDC	955	930
Grant to HYDC	3,738	2,070
Interest expenses	95,603	100,451
Cost of bond issuance	-	4,384
Payments to The City of New York	200,000	-
General and administrative	1,523	1,281
Total expenses	359,186	111,523
CHANGE IN NET POSITION	(2,541)	212,394
NET POSITION (DEFICIT) - beginning of year	(2,424,749)	(2,637,143)
NET POSITION (DEFICIT) - end of year	$ (2,427,290)	$ (2,424,749)

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
		(in thousands)		
ASSETS:				
Unrestricted cash equivalents	$ 87,980	$ -	$ -	$ 87,980
Restricted cash and cash equivalents	-	105,192	-	105,192
Unrestricted investments	379,987	-	-	379,987
Restricted investments	-	28,024	-	28,024
Interest receivable	394	98	-	492
Other receivables	36	-	-	36
Total assets	$ 468,397	$ 133,314	$ -	$ 601,711
LIABILITIES:				
Project costs payable	$ -	$ -	$ 57,354	$ 57,354
Accounts payable	251	-	-	251
Grant Due to HYDC	-	-	2,191	2,191
Total liabilities	251	-	59,545	59,796
DEFERRED INFLOWS OF RESOURCES:				
Prepaid PILOT	-	103,947	-	103,947
Total deferred inflows of resources	-	103,947	-	103,947
FUND BALANCES (DEFICIT):				
Restricted for:				
Debt service	-	29,367	-	29,367
Unassigned	468,146	-	(59,545)	408,601
Total fund balances (deficit)	468,146	29,367	(59,545)	437,968
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 468,397	$ 133,314	$ -	$ 601,711

See notes to financial statements.

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

GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
		(in thousands)		
ASSETS:				
Unrestricted cash equivalents	$ 155,081	$ -	$ -	$ 155,081
Restricted cash and cash equivalents	-	118,060	-	118,060
Unrestricted investments	19,838	-	-	19,838
Restricted investments	-	295,066	-	295,066
Interest receivable	72	46	-	118
Other receivables	36	-	-	36
Total assets	$ 175,027	$ 413,172	$ -	$ 588,199
LIABILITIES:				
Project costs payable	$ -	$ -	$ 6,374	$ 6,374
Accounts payable	165	-	-	165
Payable to The City of New York	-	-	17	17
Grant Due to HYDC	-	-	418	418
Total liabilities	165	-	6,809	6,974
DEFERRED INFLOWS OF RESOURCES:				
Prepaid PILOT	-	80,511	-	80,511
Total deferred inflows of resources	-	80,511	-	80,511
FUND BALANCES (DEFICIT):				
Restricted for:				
Debt service	-	332,661	-	332,661
Unassigned	174,862	-	(6,809)	168,053
Total fund balances (deficit)	174,862	332,661	(6,809)	500,714
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 175,027	$ 413,172	$ -	$ 588,199

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2023 AND 2022

	2023	2022
	(in thousands)	
Total fund balances - governmental funds	$ 437,968	$ 500,714
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.	(275,883)	(295,642)
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.	(26,762)	(27,925)
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	(2,508,535)	(2,553,210)
Accrued bond interest payable	(43,448)	(44,226)
Construction loan	(10,630)	(4,460)
Net position (deficit) - governmental activities	$ (2,427,290)	$ (2,424,749)

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
		(in thousands)		
REVENUES:				
District improvement bonus revenue	$ -	$ 2,656	$ -	$ 2,656
Tax equivalency payment revenue	764	153,810	-	154,574
PILOMRT revenue	-	22,097	-	22,097
PILOT revenue	-	159,644	-	159,644
Investment income	10,808	6,866	-	17,674
Total revenues	11,572	345,073	-	356,645
EXPENDITURES:				
Project - land acquisition and public amenities	-	-	57,367	57,367
Project - transfers to HYDC	-	-	955	955
Grant to HYDC	-	-	3,738	3,738
Interest expenses	-	117,303	-	117,303
Principal amount of bonds retired	-	44,675	-	44,675
Payment to The City of New York	200,000	-	-	200,000
General and administrative	1,523	-	-	1,523
Total expenditures	201,523	161,978	62,060	425,561
OTHER FINANCING SOURCES (USES):				
Construction loan	-	-	6,170	6,170
Transfers in (out)	483,235	(486,389)	3,154	-
Total other financing sources (uses)	483,235	(486,389)	9,324	6,170
Net changes in fund balances	293,284	(303,294)	(52,736)	(62,746)
FUND BALANCES (DEFICIT) - beginning of year	174,862	332,661	(6,809)	500,714
FUND BALANCES (DEFICIT) - end of year	$ 468,146	$ 29,367	$ (59,545)	$ 437,968

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
		(in thousands)		
REVENUES:				
District improvement bonus revenue	$ -	$ 26,044	$ -	$ 26,044
Tax equivalency payment revenue	782	123,296	-	124,078
PILOMRT revenue	-	39,270	-	39,270
PILOT revenue	-	136,212	-	136,212
Other revenue	-	2	-	2
Investment income (loss)	82	(1,771)	-	(1,689)
Total revenues	864	323,053	-	323,917
EXPENDITURES:				
Project - subway extension	-	-	2,395	2,395
Project - land acquisition and public amenities	-	-	12	12
Project - transfers to HYDC	-	-	930	930
Grant to HYDC	-	-	2,070	2,070
Interest expenses	-	120,615	-	120,615
Principal amount of bonds retired	-	42,690	-	42,690
Defeasance escrow	-	540,320	-	540,320
General and administrative	1,281	-	-	1,281
Costs of bond issuance	-	4,384	-	4,384
Total expenditures	1,281	708,009	5,407	714,697
OTHER FINANCING SOURCES (USES):				
Refunding bond proceeds	-	454,140	-	454,140
Bond premium	-	83,811	-	83,811
Construction loan	-	-	2,201	2,201
Transfers in (out)	60,283	(61,213)	930	-
Total other financing sources (uses)	60,283	476,738	3,131	540,152
Net changes in fund balances	59,866	91,782	(2,276)	149,372
FUND BALANCES (DEFICIT) - beginning of year	114,996	240,879	(4,533)	351,342
FUND BALANCES (DEFICIT) - end of year	$ 174,862	$ 332,661	$ (6,809)	$ 500,714

See notes to financial statements.

HUDSON YARDS INFRASTRUCTURE CORPORATION

(A Component Unit of The City of New York)

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
	(in thousands)	
Net change in fund balances - total governmental funds	$ (62,746)	$ 149,372
Amount reported in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds, but debt issued increases long-term liabilities on the statement of net position (deficit).	-	(454,140)
Governmental funds report bond premiums as other financing sources. However, on the statement of activities, premiums are amortized over the life of the debt.	-	(83,811)
Governmental funds financial statements report bond premiums as other financing source upon issuance. However, on the statements of activities, premiums are amortized as an offset of interest expense over the life of the bonds.	19,759	20,085
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).	44,675	42,690
Loan proceeds provide current financial resources to the governmental funds, but debt issued increased long-term liabilities on the statements of net position (deficit).	(6,170)	(2,201)
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.	-	540,320
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.	1,163	1,163
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.	778	(1,084)
Change in net position (deficit) - governmental activities	$ (2,541)	$ 212,394

See notes to financial statements.

1. Organization

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

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

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

2. Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

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

2. Summary of Significant Accounting Policies (continued)

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

HYIC uses three governmental funds for reporting its activities: a General Fund ("GF"), a Debt Service Fund ("DSF") and a Capital Projects Fund ("CPF"). The DSF is used to account for the receipt and disbursement of resources used to pay interest on and principal of long-term debt. The CPF is used to account for 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.

2. Summary of Significant Accounting Policies (continued)

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

Cash Equivalents

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

Capital Assets

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

For fixed assets used in the operations of HYIC, HYIC's policy is to capitalize the purchase of assets having a minimum useful life of five years (three years for certain technology assets) and having a cost of more than $50 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;

2. Summary of Significant Accounting Policies (continued)

(5) Payments in lieu of the mortgage recording tax ("PILOMRT") required to be made by private developers entering into PILOT Agreements; and

(6) Interest earned on unspent bond proceeds is generally used for debt service.

Arbitrage Rebate

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

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.

2. Summary of Significant Accounting Policies (continued)

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.

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 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") and also provides guidance for accounting and financial reporting for availability payment arrangements ("APAs"). The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The adoption of GASB 94 did not have an impact on HYIC's financial statements as it does not enter into PPPs or APAs.
- 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. The adoption of GASB 96 did not have an impact on HYIC's financial statements as it does not enter into SBITAs.
- In April 2022, GASB issued Statement No. 99, *Omnibus 2022*, ("GASB 99"). GASB 99 enhances the comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing 1) several practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. The requirements for GASB 99 are effective for reporting periods ranging from immediate to fiscal years beginning after June 15, 2023. As of the fiscal year ending June 30, 2023, HYIC has adopted all requirements for GASB 99. The adoption of GASB 99 did not have an impact on HYIC's financial statements as the practice issues and the accounting and financial reporting for financial guarantees addressed in GASB 99 are not applicable to HYIC.

2. Summary of Significant Accounting Policies (continued)

- In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections-An Amendment to GASB Statement No. 62,* ("GASB 100"). GASB 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements for GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Early application is encouraged. HYIC has not completed the process of evaluating GASB 100 but does not expect it to have an impact on HYIC's financial statements.

- In June 2022, GASB issued Statement No. 101, *Compensated Absences,* ("GASB 101"). GASB 101 updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements for GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Early application is encouraged. HYIC has not completed the process of evaluating GASB 101 but does not expect it to have an impact on HYIC's financial statements as it does not have employees.

3. Cash and Cash Equivalents

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

	2023	2022
	(in thousands)	
Unrestricted cash equivalents:		
Cash equivalents	$ 87,980	$ 155,081
Total unrestricted cash equivalents	87,980	155,081
Restricted cash and cash equivalents:		
Cash	-	2
Cash equivalents	105,192	118,058
Total restricted cash and cash equivalents	105,192	118,060
Total cash and cash equivalents	$ 193,172	$ 273,141

4. Investments

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

	2023	2022
	(in thousands)	
Unrestricted investments and cash equivalents:		
Money Market Funds	$ 87,980	$ 155,081
U.S. Treasury Bill (maturing within one year)	168,357	-
U.S. Treasury Note (maturing within one year)	211,630	19,838
Total unrestricted investments and cash equivalents	467,967	174,919
Less: amounts reported as unrestricted cash equivalents	(87,980)	(155,081)
Total unrestricted investments	$ 379,987	$ 19,838
Restricted investments and cash equivalents:		
Money Market Funds	$ 1,354	$ 118,058
U.S. Treasury Bill (maturing within one year)	129,972	-
U.S. Treasury Bill (maturing after one year)	-	3,453
U.S. Treasury Notes (maturing within one year)	1,890	146,724
U.S. Treasury Note (maturing after one year)	-	144,889
Total restricted investments and cash equivalents	133,216	413,124
Less: amounts reported as restricted cash equivalents	(105,192)	(118,058)
Total restricted investments	$ 28,024	$ 295,066

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.

4. Investments (continued)

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, 2023 and 2022:

- Money Market Funds are valued based on various market and industry inputs (Level 2 inputs).

- U.S. Treasury securities of $512 million and $315 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, 2023 and 2022 are obligations of, or guaranteed by, the United States of America, which are rated by S&P Global AA+, Moody's Aaa, and Fitch AA+; and money market funds invested in eligible government obligations, which are rated by S&P AAAm and Moody's Aaa-mf.

Interest Rate Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of HYIC's investments in a single issuer (5% or more). HYIC's investment policy places no limits on the amount HYIC may invest in any one issuer of eligible investments as defined in the Indentures. As of June 30, 2023 and 2022, 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

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

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

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

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

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, 2023 and 2022, the Loan had an outstanding balance of $10.6 million and $4.5 million, respectively.

5. Long-Term Liabilities (continued)

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

A summary of changes in outstanding bonds and other long-term debt during the years ended June 30, 2023 and 2022 follows:

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023	Due within one year
			(in thousands)		
Bonds:					
Fiscal 2017 Series A	$ 2,065,775	$ -	$ (44,675)	$ 2,021,100	$ 46,825
Fiscal 2017 Series B	33,295	-	-	33,295	-
Fiscal 2022 Series A	454,140	-	-	454,140	-
Total before premium	2,553,210	-	(44,675)	2,508,535	46,825
Premium	295,642	-	(19,759)	275,883	-
Total bonds	2,848,852	-	(64,434)	2,784,418	46,825
Loan:					
Construction loan	4,460	6,170	-	10,630	-
Total Debt	$ 2,853,312	$ 6,170	$ (64,434)	$ 2,795,048	$ 46,825

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022	Due within one year
			(in thousands)		
Bonds:					
Fiscal 2012 Series A	$ 533,565	$ -	$ (533,565)	$ -	$ -
Fiscal 2017 Series A	2,108,465	-	(42,690)	2,065,775	44,675
Fiscal 2017 Series B	33,295	-	-	33,295	-
Fiscal 2022 Series A	-	454,140	-	454,140	-
Total before premium	2,675,325	454,140	(576,255)	2,553,210	44,675
Premium	242,598	83,811	(30,767)	295,642	-
Total bonds	2,917,923	537,951	(607,022)	2,848,852	44,675
Loan:					
Construction loan	2,259	2,201	-	4,460	-
Total Debt	$ 2,920,182	$ 540,152	$ (607,022)	$ 2,853,312	$ 44,675

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.

5. Long-Term Liabilities (continued)

Debt service requirements, including principal and interest, at June 30, 2023, are as follows:

	Second Indenture Bonds			Direct Borrowing Term Loan		
	Principal	Interest	Total	Principal	Interest (a)	Total
			(in thousands)			
Years Ended June 30,						
2024	$ 46,825	$ 114,904	$ 161,729	$ -	$ 345	$ 345
2025	49,090	112,640	161,730	-	345	345
2026	58,555	110,226	168,781	-	346	346
2027	61,495	107,305	168,800	10,630	346	10,976
2028	68,845	104,245	173,090	-		-
2029 to 2033	410,245	465,052	875,297	-		-
2034 to 2038	521,780	353,511	875,291	-		-
2039 to 2043	655,695	219,595	875,290	-		-
2044 to 2047	636,005	64,002	700,007	-		-
Totals	$ 2,508,535	$ 1,651,480	$ 4,160,015	$ 10,630	$ 1,382	$ 12,012

(a) The variable interest rate used in this table was 3.25% on the term loan.

6. Property Acquisition

As of June 30, 2023, the City has condemned nine property interests for Phase II of the Hudson Yards Project. In fiscal year 2023, HYIC recorded a liability and project expenses of $57 million, comprising advance payments offered to former owners as part of the condemnation process. However, as the relevant appraisals have not yet been completed, the total liability attributable to these condemnations cannot be reasonably estimated at this time. Final appraised values of the property interests may be higher or lower than what the City has offered as advance payments.

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