



New York City Transitional Finance Authority

A Component Unit of the City of New York

**Financial Statements
Together with Report of Independent Auditors**

June 30, 2026 and 2025

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors
New York City Transitional Finance Authority
New York, NY

Opinions

We have audited the financial statements of the governmental activities and governmental funds of New York City Transitional Finance Authority (the "Authority"), a component unit of The City of New York, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Authority'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 the Authority as of June 30, 2026 and 2025, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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 the Authority 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 the Authority'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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 the Authority'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 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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.

CBIZ CPAs P.C.

New York, NY
September 30, 2026

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

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

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

New York City Transitional Finance Authority

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Overview of the Financial Statements

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

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

- The *General Fund* is TFA's operating fund and is primarily used to record activity related to administrative expenditures, including floating rate support fees, and federal interest subsidies
- The *Future Tax Secured Bonds Debt Service Fund* and *Build Aid Revenue Bonds Debt Service Fund* are used to record activity related to the repayment of principal and interest on outstanding debt.
- The *Future Tax Secured Bonds Capital Projects Fund* and *Building Aid Revenue Bonds Debt Service Fund* are used to record activity related to the transfer of resources to the City to finance the City's capital program.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Types of Information in the Financial Statements

TFA's government-wide financial statements use the economic resources measurement focus and accrual basis of accounting. In other words, they comprehensively report all types of financial statement elements:

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

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

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

More detail about the measurement focuses and bases of accounting can be found in note 2 to the financial statements, the summary of significant accounting policies, beginning on page 21.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Analysis of TFA's Finances

Net Position (Deficit)

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

	2026	2025	2024	Variance	
				2026/2025	2025/2024
	(in thousands)				
Assets:					
Cash and investments	\$ 3,547,806	\$ 4,449,952	\$ 4,118,099	-20.3 %	8.1 %
Other assets	1,456,054	1,290,609	1,823,659	12.8 %	-29.2 %
Total assets	5,003,860	5,740,561	5,941,758	-12.8 %	-3.4 %
Liabilities:					
Current liabilities	4,936,150	4,106,319	3,563,007	-20.2 %	15.2 %
Non-current liabilities	69,816,322	65,935,736	60,289,852	5.9 %	9.4 %
Total liabilities	74,752,472	70,042,055	63,852,859	6.7 %	9.7 %
Deferred inflows of resources:					
Unamortized deferred bond refunding costs	742,613	502,244	344,312	47.9 %	45.9 %
Total deferred inflows of resources	742,613	502,244	344,312	47.9 %	45.9 %
Net position (deficit):					
Restricted	582,764	530,421	61	9.9 %	869,443 %
Unrestricted	(71,073,989)	(65,334,159)	(58,255,474)	-8.8 %	-12.2 %
Total net position (deficit)	\$ (70,491,225)	\$ (64,803,738)	\$ (58,255,413)	-8.8 %	-11.2 %

Table 1 – Net Position

As of June 30, 2026 and 2025, TFA's net deficit—assets and deferred outflows of resources less liabilities and deferred inflows of resources—was \$(70.5) billion and \$(64.8) billion, respectively. These were increases in the deficit of \$5.7 billion (8.8%) and \$6.5 billion (11.2%) compared with the net deficit as of June 30, 2025 and 2024, respectively. The increases were primarily due to the issuance of new money bonds to finance the City's capital program. TFA issued \$6.8 billion of new money Future Tax Secured Bonds ("FTS Bonds") during fiscal year 2026 and \$7.9 billion during fiscal year 2025. Consequently, liabilities, which mostly comprises bonds payable, increased \$4.7 billion (6.7%) in fiscal year 2026 and \$6.2 billion (9.7%) in fiscal year 2025. For additional details on TFA's bond issuances, please refer to the *Long-Term Financing Activity* section of this MD&A.

In fiscal year 2025, the building aid due from the City, which is included in other assets in the above table, decreased as a result of the building aid retained by TFA. During fiscal year 2025, TFA retained \$1.2 billion of building aid, which reduced the building aid due from the City from \$824 million to \$0. In accordance with governmental accounting standards for collateralized borrowings (see Note 2.F in the *Notes to the Financial Statements* for TFA's detailed accounting policy for recording Building Aid Revenue Bonds ("BARBs") distributions and building aid retention), building aid retained is first applied to the building aid due from the City. After the building aid due from the City is reduced to \$0, any further building aid retained is recognized as building aid revenue.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Governmental Activities

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

	2026	2025	2024	Variance	
				2026/2025	2025/2024
	(in thousands)				
Revenues:					
Personal income tax revenue retained	\$ 1,386,043	\$ 774,647	\$ 845,190	78.9 %	-8.3 %
Building aid revenue	1,206,365	335,922	-	259.1 %	- %
Unrestricted grants	1,159,235	2,343,987	2,442,576	-50.5 %	-4.0 %
Federal interest subsidy	62,424	80,488	95,909	-22.4 %	-16.1 %
Investment earnings	131,175	147,036	111,005	-10.8 %	32.5 %
Other revenues	-	182	3	-100.0 %	5,966.7 %
Total revenues	3,945,242	3,682,262	3,494,683	7.1 %	5.4 %
Expenses:					
Distributions to New York City for general capital program	7,175,922	7,868,729	6,571,019	-8.8 %	19.7 %
Bond interest	2,327,557	2,166,925	1,999,436	7.4 %	8.4 %
General expenses	129,250	194,933	114,224	-33.7 %	70.7 %
Total expenses	9,632,729	10,230,587	8,684,679	-5.8 %	17.8 %
Change in net position (deficit)	(5,687,487)	(6,548,325)	(5,189,996)	-13.1 %	26.2 %
Net position (deficit), beginning of year	(64,803,738)	(58,255,413)	(53,065,417)	11.2 %	9.8 %
Net position (deficit), end of year	\$ (70,491,225)	\$ (64,803,738)	\$ (58,255,413)	8.8 %	11.2 %

Table 2 – Changes in Net Position

Fiscal Year 2026

In fiscal year 2026, TFA's increase in net deficit of \$5.7 billion was primarily driven by the following factors:

- Expenses decreased \$598 million, as a result of TFA distributing \$7.2 billion of proceeds to the City in fiscal year 2026 compared to \$7.9 billion in fiscal year 2025.
- Revenues increased primarily from the recognition of \$1.2 billion of building aid revenue in fiscal year 2026 compared to \$336 million in fiscal year 2025. As discussed in the *Net Position (Deficit)* section above, the balance of the receivable for building aid due from the City was reduced to \$0 during fiscal year 2025. Any building aid subsequently retained is recognized as building aid revenue. In fiscal year 2026, TFA recognized a full year of building aid revenue compared to the partial year revenue recognized in fiscal year 2025.

Fiscal Year 2025

In fiscal year 2025, TFA's increase in net deficit of \$6.5 billion was primarily driven by the following factors:

- Expenses increased \$1.5 billion, as a result of TFA distributing \$7.9 billion of proceeds to the City in fiscal year 2025 compared to \$6.6 billion in fiscal year 2024. As discussed in the *Net Position (Deficit)* section above, TFA increased its new money issuances to support the City's capital needs. Distributions to the City similarly increased.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

- Revenues increased slightly primarily from the recognition of \$336 million of building aid revenue in fiscal year 2025 compared to \$0 in fiscal year 2024. As discussed in the *Net Position (Deficit)* section above, in fiscal year 2025, TFA retained \$1.2 billion of building aid. \$824 million of this building aid reduced the building aid due from the City to \$0. With the building aid due extinguished, the remaining \$336 million in building aid retained was recognized as building aid revenue.

Governmental Funds

TFA reports five major funds individually in the governmental funds financial statements. Those funds are the general fund ("GF"), the building aid revenue bonds capital projects fund ("BARBs CPF"), the future tax secured bonds capital projects fund ("FTS Bonds CPF"), the building aid revenue bonds debt service fund ("BARBs DSF"), and the future tax secured bonds debt service fund ("FTS Bonds DSF"). As some of the discussion regarding governmental activities also applies to the finances of the governmental funds, some parts of the funds analyses will reference explanations in the previous *Net Position (Deficit)* and *Governmental Activities* sections.

General Fund

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

	2026	2025	2024	Variance	
				2026/2025	2025/2024
	(in thousands)				
Revenues:					
Personal income tax revenue	\$ 15,775	\$ 17,101	\$ 15,417	-7.8 %	10.9 %
Federal interest subsidy	49,009	125,995	57,658	-61.1 %	118.5 %
Investment earnings	522	1,937	1,320	-73.1 %	46.7 %
Total revenues	65,306	145,033	74,395	-55.0 %	94.9 %
Expenditures:					
Distributions of federal interest subsidy to New York City	56,946	118,057	57,658	-51.8 %	104.8 %
General and administrative	22,810	19,791	19,583	15.3 %	1.1 %
Total expenditures	79,756	137,848	77,241	-42.1 %	78.5 %
Other financing sources (uses)	2,317	401	385	477.8 %	4.2 %
Change in fund balances	(12,133)	7,586	(2,461)	-260.0 %	-408.2 %
Fund balance, beginning of year	10,645	3,059	5,520	248.0 %	-44.6 %
Fund balance (deficit), end of year	\$ (1,488)	\$ 10,645	\$ 3,059	-114.0 %	248.0 %

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

Revenues recognized in the GF either fund administrative expenditures incurred during the fiscal year or are federal interest subsidies received that are immediately distributed to the City as expenditures. The \$77 million decrease in federal subsidies in fiscal year 2026 compared to fiscal year 2025 was primarily due to a repayment of \$6.9 million for an overpayment in fiscal year 2025 along with the refunding of all outstanding Build America Bonds in fiscal year 2025 resulting in a decrease of subsidies in fiscal year 2026. In addition, in fiscal year 2025 the Authority received \$21 million that was due in fiscal year 2024 because of delay in payment by the IRS.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Building Aid Revenue Bonds Capital Projects Fund

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

	2026	2025	2024	Variance	
		(in thousands)		2026/2025	2025/2024
Revenues	\$ 9	\$ 76	\$ 1	-88.2 %	7,500.0 %
Expenditures	-	-	-	- %	- %
Other financing sources (uses)	-	-	-	- %	- %
Change in fund balances	9	76	1	-88.2 %	7,500.0 %
Fund balance, beginning of year	81	5	4	1,520.0 %	25.0 %
Fund balance, end of year	\$ 90	\$ 81	\$ 5	11.1 %	1,520.0 %

Table 4 – Revenues, Expenditures, and Changes in Fund Balances – Building Aid Capital Projects Fund

The BARBs CPF had limited activity in fiscal years 2026 and 2025 as TFA has not issued any new money BARBs since fiscal year 2021.

Future Tax Secured Bonds Capital Projects Fund

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

	2026	2025	2024	Variance	
		(in thousands)		2026/2025	2025/2024
Revenues	\$ 52,887	\$ 41,709	\$ 14,203	26.8 %	193.7 %
Expenditures	7,207,214	7,904,378	6,601,365	-8.8 %	19.7 %
Other financing sources (uses)	7,206,661	8,392,953	6,576,900	-14.1 %	27.6 %
Change in fund balances	52,334	530,284	(10,262)	-90.1 %	-5,267.5 %
Fund balance, beginning of year	530,340	56	10,318	946,936 %	-99.5 %
Fund balance, end of year	\$ 582,674	\$ 530,340	\$ 56	9.9 %	946,936 %

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

The FTS CPF primarily records activity related to new money issuances and distributions of capital proceeds to the City. The significant increase in fund balance in fiscal year 2025 compared to fiscal year 2024 was due to proceeds that had not yet been distributed to the City.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Building Aid Revenue Bonds Debt Service Fund

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

	2026	2025	2024	Variance	
				2026/2025	2025/2024
	(in thousands)				
Revenues:					
Building aid revenue	\$ 1,206,365	\$ 335,922	\$ -	259.1 %	- %
Investment earnings	13,899	17,824	18,715	-22.0 %	-4.8 %
Total revenues	1,220,264	353,746	18,715	245.0 %	1,790.2 %
Expenditures:					
Bond interest	346,957	357,382	365,317	-2.9 %	-2.2 %
Costs of debt issuance	6,722	-	-	- %	- %
Defeasance escrow	1,522,650	-	-	- %	- %
Principal amounts of bonds retired	223,785	215,980	207,385	3.6 %	4.1 %
Total expenditures	2,100,114	573,362	572,702	266.3 %	0.1 %
Other financing sources (uses)	926,485	244,362	533,338	379.1 %	-54.2 %
Change in fund balances	46,635	24,746	(20,649)	88.5 %	-219.8 %
Fund balance, beginning of year	688,331	663,585	684,234	3.7 %	-3.0 %
Fund balance, end of year	\$ 734,966	\$ 688,331	\$ 663,585	6.8 %	3.7 %

Table 6 – Revenues, Expenditures, and Changes in Fund Balances – Building Aid Debt Service Fund

Revenues increased by \$867 million and \$335 million in fiscal year 2026 and fiscal year 2025, respectively, as a result of the increase in building aid revenues, as discussed in detail in the *Governmental Activities* section.

Expenditures and other financing sources increased by \$1.5 billion and \$682 million, respectively, in fiscal year 2026 as a result of a BARBs refunding transaction. There were no BARBs refunding transactions in fiscal year 2025. Details of the refunding transaction are discussed in the *Long Term Financing Activity* section.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Future Tax Secured Bonds Debt Service Fund

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

	2026	2025	2024	Variance	
				2026/2025	2025/2024
	(in thousands)				
Revenues:					
Personal income tax revenue retained	\$ 1,370,268	\$ 757,546	\$ 829,773	80.9 %	-8.7 %
Unrestricted grants	1,159,235	2,343,987	2,442,576	-50.5 %	-4.0 %
Other revenues	63,858	85,672	76,769	-25.5 %	11.6 %
Total revenues	2,593,362	3,187,205	3,349,118	-18.6 %	-4.8 %
Expenditures:					
Bond interest	2,570,853	2,235,415	2,030,962	15.0 %	10.1 %
Cost of debt issuance	11,480	21,436	6,637	-46.4 %	223.0 %
Defeasance escrow	2,984,729	5,169,453	1,466,202	-42.3 %	252.6 %
Principal amounts of bonds retired	1,761,260	1,634,545	1,709,080	7.8 %	-4.4 %
Total expenditures	7,328,322	9,060,849	5,212,881	-19.1 %	73.8 %
Other financing sources (uses)	3,607,971	5,600,399	2,051,929	-35.6 %	172.9 %
Change in fund balances	(1,126,990)	(273,245)	188,166	-312.4 %	-245.2 %
Fund balance, beginning of year	3,175,933	3,449,178	3,261,012	-7.9 %	5.8 %
Fund balance, end of year	\$ 2,048,943	\$ 3,175,933	\$ 3,449,178	-53.9 %	-7.9 %

Table 7 – Revenues, Expenditures, and Changes in Fund Balances – FTS Debt Service Fund

Revenues decreased by \$594 million in fiscal year 2026 primarily as a result of a \$1.2 billion decrease in the amount of unrestricted grants received from the City that TFA uses to pay a portion of the subsequent year's debt service. The amount of unrestricted grants received is at the discretion of the City and may fluctuate from year to year. The decrease in unrestricted grants was partially offset by an increase in PIT revenue retained, which was a result of an increase in debt service payments of \$425 million.

Expenditures decreased by \$1.7 billion in fiscal year 2026 and increased by \$3.9 billion in fiscal year 2025 and other financing sources decreased by \$2.0 billion in 2026 and increased \$3.5 billion in 2025 as a result of FTS bonds refunding transactions, which are discussed in more detail in the *Long Term Financing Activity* section.

Management's Discussion and Analysis (Unaudited)

June 30, 2026 and 2025

Long-Term Financing Activity

The following summarizes the change in TFA's outstanding debt in fiscal years 2026, 2025, and 2024:

	Balance at June 30, 2024	Issued	Retired / Defeased	Balance at June 30, 2025	Issued	Retired / Defeased	Balance at June 30, 2026
	(in thousands)						
FTS Bonds	\$ 49,946,155	\$ 12,804,010	\$ (7,193,000)	\$ 55,557,165	\$ 9,513,200	\$ (4,720,360)	\$ 60,350,005
BARBs	7,671,800	-	(215,980)	7,455,820	1,390,090	(1,746,380)	7,099,530
Total Bonds Payable (par value)	\$ 57,617,955	\$ 12,804,010	\$ (7,408,980)	\$ 63,012,985	\$ 10,903,290	\$ (6,466,740)	\$ 67,449,535

Fiscal Year 2026

In fiscal year 2026, TFA issued \$6.8 billion of new money FTS Bonds. The new money bond proceeds were used to finance the City's capital program. TFA also issued \$2.7 billion of FTS Bonds to refund \$3.0 billion of outstanding FTS Bonds. The refundings resulted in an accounting gain of \$192 million. TFA in effect reduced its aggregate FTS debt service by \$284 million and obtained an economic benefit of \$234 million.

In fiscal year 2026, TFA issued \$1.4 billion of BARBs to refund \$1.5 billion of outstanding BARBs. The refundings resulted in an accounting gain of \$119 million. TFA, in effect, reduced its aggregate BARBs debt service by \$113 million and obtained an economic benefit of \$102 million.

TFA made \$1.8 billion and \$224 million of principal payments on its FTS Bonds and BARBs, respectively.

Fiscal Year 2025

In fiscal year 2025, TFA issued \$7.9 billion of new money FTS Bonds. The new money bond proceeds were used to finance the City's capital program. TFA also issued \$4.9 billion of FTS Bonds to refund \$5.6 billion of outstanding FTS Bonds. The refundings resulted in an accounting gain of \$200 million. TFA in effect reduced its aggregate FTS debt service by \$443 million and obtained an economic benefit of \$337 million.

TFA made \$1.6 billion and \$216 million of principal payments on its FTS Bonds and BARBs, respectively.

As of July 1, 2025, the amount of FTS Bonds TFA was permitted to have outstanding, not including FTS debt that counts against the City's debt limit, increased from \$27.5 billion to \$30.5 billion due to the Authority's authorizing legislation, as amended.

Currently Known Facts, Decisions, or Conditions

TFA is not aware of any developments that are expected to have a significant impact on TFA's future financial performance.

Statements of Net Position (Deficit)

As of June 30, 2026 and 2025

	2026	2025
	(in thousands)	
Assets:		
Unrestricted cash and cash equivalents	\$ 97,958	\$ 13,344
Restricted cash and cash equivalents	1,439,092	1,131,459
Unrestricted investments	1,061,513	2,345,850
Restricted investments	949,243	959,299
Interest receivable	260	659
Personal income tax receivable from New York State	1,406,101	1,267,539
Federal interest subsidy receivable	19,849	6,434
Other	29,844	15,977
Total assets	5,003,860	5,740,561
Liabilities:		
Personal income tax payable to New York City	1,406,101	1,267,539
Distribution payable to New York City for capital programs	208,317	57,272
Accrued expenses	4,303	3,922
Accounts payable	105	64
Accrued interest payable	761,034	774,097
Long-term debt:		
Portion due within one year	2,556,290	2,003,425
Portion due after one year	69,816,322	65,935,736
Total liabilities	74,752,472	70,042,055
Deferred Inflows of Resources:		
Unamortized deferred bond refunding costs	742,613	502,244
Total deferred inflows of resources	742,613	502,244
Net Position (Deficit):		
Restricted for capital projects	582,764	530,421
Unrestricted (deficit)	(71,073,989)	(65,334,159)
Total net position (deficit)	\$ (70,491,225)	\$ (64,803,738)

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

Statements of Activities

For the Years Ended June 30, 2026 and 2025

	2026	2025
	(in thousands)	
Revenues:		
Personal income tax revenue	\$ 21,142,375	\$ 18,732,966
Less remittances to New York City	(19,756,332)	(17,958,319)
Personal income tax revenue retained	1,386,043	774,647
Building aid revenue	1,206,365	335,922
Unrestricted grants	1,159,235	2,343,987
Federal interest subsidy	62,424	80,488
Investment income	131,175	147,036
Other revenue	-	182
Total revenues	3,945,242	3,682,262
Expenses:		
Distributions to New York City for capital programs	7,175,922	7,868,729
Distributions of federal interest subsidy to New York City	56,946	118,057
Bond interest	2,327,557	2,166,925
Cost of debt issuance	49,494	57,085
General and administrative	22,810	19,791
Total expenses	9,632,729	10,230,587
Change in net position (deficit)	(5,687,487)	(6,548,325)
Net position (deficit) – beginning of year	(64,803,738)	(58,255,413)
Net position (deficit) – end of year	\$ (70,491,225)	\$ (64,803,738)

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

Governmental Funds Balance Sheet

As of June 30, 2026

	Capital Projects			Debt Service		
	General Fund	Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	Total Governmental Funds
	(in thousands)					
Assets:						
Unrestricted cash and cash equivalents	\$ 1,697	\$ -	\$ -	\$ -	\$ 96,261	\$ 97,958
Restricted cash and cash equivalents	-	89	791,371	94,279	553,353	1,439,092
Unrestricted investments	-	-	-	-	1,061,513	1,061,513
Restricted investments	-	-	-	611,399	337,844	949,243
Personal income tax receivable from New York State	-	-	-	-	1,406,101	1,406,101
Interest receivable	6	1	4	79	170	260
Other	317	-	-	29,527	-	29,844
Total assets	2,020	90	791,375	735,284	3,455,242	4,984,011
Liabilities:						
Personal income tax payable to New York City	-	-	-	-	181,101	181,101
Distribution payable to New York City for capital programs	-	-	208,317	-	-	208,317
Accrued expenses	3,403	-	384	318	198	4,303
Accounts payable	105	-	-	-	-	105
Total liabilities	3,508	-	208,701	318	181,299	393,826
Deferred Inflows of Resources:						
Unavailable personal income tax revenue	-	-	-	-	1,225,000	1,225,000
Total deferred inflows of resources	-	-	-	-	1,225,000	1,225,000
Fund Balances:						
Restricted for:						
Capital distribution to New York City	-	90	582,674	-	-	582,764
Debt service	-	-	-	734,966	891,167	1,626,133
Unrestricted for:						
Assigned for debt service	-	-	-	-	1,157,776	1,157,776
Unassigned	(1,488)	-	-	-	-	(1,488)
Total fund balances (deficit)	(1,488)	90	582,674	734,966	2,048,943	3,365,185
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 2,020	\$ 90	\$ 791,375	\$ 735,284	\$ 3,455,242	\$ 4,984,011

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

Governmental Funds Balance Sheet

As of June 30, 2025

	Capital Projects			Debt Service		
	General Fund	Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	Total Governmental Funds
	(in thousands)					
Assets:						
Unrestricted cash and cash equivalents	\$ 13,340	\$ -	\$ -	\$ -	\$ 4	\$ 13,344
Restricted cash and cash equivalents	-	81	587,779	3,897	539,702	1,131,459
Unrestricted investments	-	-	-	-	2,345,850	2,345,850
Restricted investments	-	-	-	668,991	290,308	959,299
Personal income tax receivable from New York State	-	-	-	-	1,267,539	1,267,539
Interest receivable	56	-	4	268	331	659
Other	401	-	-	15,576	-	15,977
Total assets	13,797	81	587,783	688,732	4,443,734	5,734,127
Liabilities:						
Personal income tax payable to New York City	-	-	-	-	213,539	213,539
Distribution payable to New York City for capital programs	-	-	57,272	-	-	57,272
Accrued expenses	3,088	-	171	401	262	3,922
Accounts payable	64	-	-	-	-	64
Total liabilities	3,152	-	57,443	401	213,801	274,797
Deferred Inflows of Resources:						
Unavailable personal income tax revenue	-	-	-	-	1,054,000	1,054,000
Total deferred inflows of resources	-	-	-	-	1,054,000	1,054,000
Fund Balances:						
Restricted for:						
Capital distribution to New York City	-	81	530,340	-	-	530,421
Debt service	-	-	-	688,331	830,077	1,518,408
Unrestricted for:						
Assigned for debt service	-	-	-	-	2,345,856	2,345,856
Unassigned	10,645	-	-	-	-	10,645
Total fund balances	10,645	81	530,340	688,331	3,175,933	4,405,330
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,797	\$ 81	\$ 587,783	\$ 688,732	\$ 4,443,734	\$ 5,734,127

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

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

As of June 30, 2026 and 2025

	2026	2025
	(in thousands)	
Total fund balances – governmental funds	\$ 3,365,185	\$ 4,405,330
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.	(4,923,077)	(4,926,176)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy applicable to the accrued bond interest is receivable as of fiscal year end. However, in the governmental funds balance sheets where no bond interest is reported as payable until due, no subsidy receivable is reported.	19,849	6,434
Costs of bond refundings are reported as expenditures in the governmental fund 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.	(742,613)	(502,244)
Some liabilities are not due and payable in the current period from financial resources available currently at year-end and are therefore not reported in the governmental funds financial statements, but are reported in the statements of net position (deficit). Those liabilities consist of:		
Bonds payable	(67,449,535)	(63,012,985)
Accrued interest payable	(761,034)	(774,097)
Net position (deficit) – governmental activities	\$ (70,491,225)	\$ (64,803,738)

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

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

For the Year Ended June 30, 2026

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	
	(in thousands)					
Revenues:						
Personal income tax revenue	\$ 15,775	\$ -	\$ -	\$ -	\$ 20,955,600	\$ 20,971,375
Less remittances to New York City	-	-	-	-	(19,585,332)	(19,585,332)
Personal income tax revenue retained	15,775	-	-	-	1,370,268	1,386,043
Building aid revenue	-	-	-	1,206,365	-	1,206,365
Unrestricted grants	-	-	-	-	1,159,235	1,159,235
Federal interest subsidy	49,009	-	-	-	-	49,009
Investment income	522	9	52,887	13,899	63,858	131,175
Total revenues	65,306	9	52,887	1,220,264	2,593,361	3,931,827
Expenditures:						
Distributions to New York City for capital programs	-	-	7,175,922	-	-	7,175,922
Distributions of federal interest subsidy to New York City	56,946	-	-	-	-	56,946
Bond interest	-	-	-	346,957	2,570,853	2,917,810
Costs of debt issuance	-	-	31,292	6,722	11,480	49,494
Defeasance escrow	-	-	-	1,522,650	2,984,729	4,507,379
Principal amounts of bonds retired	-	-	-	223,785	1,761,260	1,985,045
General and administrative	22,810	-	-	-	-	22,810
Total expenditures	79,756	-	7,207,214	2,100,114	7,328,322	16,715,406
Excess (deficiency) of revenues over expenditures	(14,450)	9	(7,154,327)	(879,850)	(4,734,961)	(12,783,579)
Other Financing Sources (Uses):						
Principal amounts of bonds issued	-	-	6,800,000	-	-	6,800,000
Refunding bond proceeds	-	-	-	1,390,090	2,713,200	4,103,290
Bond premium, net of discount	-	-	435,983	114,523	289,638	840,144
Transfers in (out)	2,317	-	(29,322)	(578,128)	605,133	-
Total other financing sources (uses)	2,317	-	7,206,661	926,485	3,607,971	11,743,434
Net changes in fund balance (deficit)	(12,133)	9	52,334	46,635	(1,126,990)	(1,040,145)
Fund balances (deficit) - beginning of year	10,645	81	530,340	688,331	3,175,933	4,405,330
Fund balances (deficit) - end of year	\$ (1,488)	\$ 90	\$ 582,674	\$ 734,966	\$ 2,048,943	\$ 3,365,185

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

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

For the Year Ended June 30, 2025

		Capital Projects		Debt Service		
	General Fund	Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	Total Governmental Funds
			</			

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

**Reconciliations of the Governmental Funds Statements of
Revenues, Expenditures, and Changes in Fund Balances to the
Statements of Activities**

For the Years Ended June 30, 2026 and 2025

	2026	2025
	(in thousands)	
Net change in fund balances – governmental funds	\$ (1,040,145)	\$ 289,447
Amounts reported for governmental activities in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds financial statements but bonds issued increase long-term liabilities on the statements of net position (deficit).	(6,800,000)	(7,850,000)
Refunding bond proceeds and payments to refunded bond escrows are reported as other financing sources (uses) in the governmental funds financial statements, but increase and decrease long-term liabilities in the statements of net position (deficit).	(4,103,290)	(4,457,683)
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 advance refund the bonds.	70,371	42,458
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).	6,492,424	7,019,978
The governmental funds financial statements report bond premiums and discounts as other financing sources (uses). However, in the statements of activities, bond premiums and discounts are amortized over the lives of the related debt as interest expense.	(333,324)	(598,769)
Retention of building aid is reported similar to a transfer from the City, as other financing sources (uses) in the governmental funds financial statements. However, in the statements of activities, building aid retained is reported as a reduction of the amount due from New York City – future Statement building aid.	-	(824,297)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest cost is reported. On the statements of activities, the subsidy revenue in the amount applicable to the accrued bond interest expense is accrued as of fiscal year end. However, in the governmental funds financial statements where interest expenditure is reported when due, no subsidy revenue is accrued as of year end.	13,415	(45,507)
Interest is reported in the statements of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds financial statements when due.	13,062	(123,952)
Change in net position (deficit) – governmental activities	\$ (5,687,487)	\$ (6,548,325)

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

Notes to the Financial Statements

June 30, 2026 and 2025

Note 1 – Organization and Nature of Activities

The New York City Transitional Finance Authority (“TFA” or the “Authority”) is a corporate governmental entity constituting a public benefit corporation and an instrumentality of the State of New York (the “State”). TFA was created by State legislation in 1997 to issue and sell bonds and notes (“Future Tax Secured Bonds” or “FTS Bonds”) to fund a portion of the capital program of the City of New York (the “City”), the purpose of which is to maintain, rebuild, and expand the infrastructure of the City, and to pay TFA’s administrative expenses. In addition, State legislation enacted in April 2006 enables TFA to issue Building Aid Revenue Bonds (“BARBs”), notes, or other obligations for purposes of funding the City school system’s costs of its five-year educational facilities capital plan and pay TFA’s administrative expenses.

TFA is governed by a Board of Directors (the “Board”) of five directors, consisting of the following officials of the City: the Director of Management and Budget (who also serves as Chairperson), the Commissioner of Finance, the Commissioner of Design and Construction, the City Comptroller, and the Speaker of the City Council. TFA does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which TFA pays a management fee and overhead based on its allocated share of personnel and overhead costs.

Note 2 – Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

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

TFA’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.

TFA uses five governmental funds for reporting its activities: a general fund, a BARBs capital projects fund, an FTS Bonds capital projects fund, a BARBs debt service fund, and an FTS Bonds debt service fund. The two capital project funds account for resources to be transferred to the City’s capital programs. The two debt service funds account for the accumulation of resources for payment of principal and interest on outstanding debts. The general fund accounts for and reports all financial resources not accounted for in the capital project funds and debt service funds, including TFA’s administrative expenses.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 2 – Summary of Significant Accounting Policies (continued)

C. Cash Equivalents

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

D. Investments

Investments are reported at fair value as of the reporting date.

E. Capital Assets

TFA is not the owner of the capital assets that are constructed or acquired with the proceeds of its borrowings. For fixed assets used in the operations of TFA, TFA's policy is to capitalize the purchase of assets having a minimum useful life of five years (three years for certain technology assets) and having a cost of more than \$50,000. No such assets have been acquired.

F. Revenues

Personal Income Taxes

The Authority receives the City personal income taxes ("PIT"), imposed pursuant to State law and collected on behalf of the Authority by the State, to service its future tax secured debt and pay a portion of its administrative expenses. In fiscal year 2023, the Authority began to receive the City's portion of Pass-Through Entity Tax ("PTET") on certain partnerships and S corporations that elect to pay such tax and whose partners and shareholders receive a corresponding credit against their PIT liabilities. All PTET revenues received by the Authority will be treated as PIT revenues under the Indenture, and run through the flow of funds as PIT revenues. Funds for FTS Bonds debt service are required to be set aside prior to the due date of the principal and interest. PIT in excess of amounts needed to pay debt service and administrative expenses of the Authority are available to be remitted to the City. In fiscal years 2026 and 2025, the Authority received unrestricted grants for future debt service payments and reduced the amount of PIT retained for such purpose as described in Note 6.

Building Aid

The Authority receives building aid payments from the State, subject to State annual appropriation, pursuant to the assignment by the City of the building aid payments to the Authority to service its building aid revenue bonds and pay a portion of its administrative expenses. Due to the City's continuing involvement necessary for the collection of the building aid, this assignment is considered a collateralized borrowing between the City and the Authority pursuant to GASB standards. The Authority reports, on its statements of net position (deficit), a receivable (Due from New York City — future State building aid) equal to the amount of building aid revenue bonds proceeds the Authority has distributed to the City for the educational facilities capital plan. Building aid subsequently retained reduces the receivable. If there is no receivable balance, building aid retained is recorded as revenues in the statements of activities.

Notes to the Financial Statements

June 30, 2026 and 2025

Federal Interest Subsidies

TFA receives subsidies from the United States Treasury due to TFA's issuance of taxable Build America Bonds and taxable Qualified School Construction Bonds under the American Recovery and Reinvestment Act of 2009. Subsidies are recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of subsidies related to the accrued bond interest is reported as a receivable at year end, while in the governmental funds balance sheets where no bond interest is reported as payable until due, a subsidy receivable is not reported.

G. Arbitrage Rebates

To maintain the exemption from Federal income tax on interest of bonds issued by TFA, TFA is required to rebate amounts 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 every fifth bond year thereafter, and within 60 days after retirement of the bonds. TFA was not required to make an arbitrage rebate payment in fiscal years 2026 and 2025.

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

H. Bond Premiums and Discounts

Bond premiums and discounts are capitalized and amortized over the life of the related debt using the interest method in the government-wide financial statements. The governmental funds financial statements recognize the premiums and discounts during the current period. Bond premiums are presented as additions or reductions to the face amount of the bonds payable.

I. Bond Issuance Costs

Bond issuance costs, except for prepaid bond insurance, are recognized as an expense/expenditure in the period incurred in the government-wide and governmental funds financial statements, respectively.

J. Deferred Bond Refunding Costs

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

Notes to the Financial Statements

June 30, 2026 and 2025

Note 2 – Summary of Significant Accounting Policies (continued)

K. Interest Expense

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

L. Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

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 TFA's Trust Indenture are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

The Board constitutes TFA's highest level of decision-making authority and resolutions adopted by the Board that constrain fund balances for a specific purpose 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 that are constrained for use for a specific purpose based on the direction of any officer of TFA who is duly authorized under the Trust Indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose. The assignment will remain unless and until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment.

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

M. Use of Estimates

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

Notes to the Financial Statements

June 30, 2026 and 2025

Note 2 – Summary of Significant Accounting Policies (continued)

N. New Accounting Standards Adopted

As a component unit of the City, TFA implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year:

- In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, (“GASB 103”). GASB 103 improves components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing accountability. The requirements for GASB 103 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The implementation of GASB 103 enhanced the information provided in management’s discussion and analysis but did not have any impact on TFA’s basic financial statements.
- In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, (“GASB 104”). GASB 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosures and also requires additional disclosures for capital assets held for sale. The requirements for GASB 104 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The implementation of GASB 104 did not have any impact on TFA’s financial statements as TFA does not have any capital assets.

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

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

Note 3 – Cash Equivalents

As of June 30, 2026 and 2025, TFA’s cash and cash equivalents consisted of the following:

	2026	2025
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	\$ 285	\$ 221
Cash equivalents	1,438,807	1,131,238
Total restricted	1,439,092	1,131,459
Unrestricted cash and cash equivalents:		
Cash	96,510	250
Cash equivalents	1,448	13,094
Total unrestricted	97,958	13,344
Total cash equivalents	\$ 1,537,050	\$ 1,144,803

Notes to the Financial Statements

June 30, 2026 and 2025

Note 3 – Cash Equivalents (continued)

TFA's cash and cash equivalents consist of bank deposits, money market funds, and securities of government sponsored enterprises held by TFA's Trustee in the Trustee's name. TFA's investments classified as cash equivalents include U.S. Government Securities that have an original maturity date of 90 days or fewer from the date of purchase. All cash balances were FDIC insured.

Note 4 – Investments

TFA invests funds that are not immediately required for operations, debt service, or capital project expenses. Each account of TFA that is held pursuant to the Indenture between TFA and its Trustee may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture.

As of June 30, 2026 and 2025, investments, including cash equivalents, consisted of the following:

	2026	2025
	(in thousands)	
Restricted investments and cash equivalents:		
Money market funds	\$ 21,849	\$ 22,515
Federal Home Loan Bank discount notes (maturing within one year)	873,814	1,082,388
Federal National Mortgage Association discount notes (maturing within one year)	270,838	-
United States Treasuries (maturing within one year)	93,419	25,076
United States Treasuries (maturing within one to five years)	337,844	373,549
Commercial paper (maturing within one year)	790,286	587,009
Total restricted investments and cash equivalents	2,388,050	2,090,537
Less: amounts reported as restricted cash equivalents	(1,438,807)	(1,131,238)
Total restricted investments	<u>\$ 949,243</u>	<u>\$ 959,299</u>
Unrestricted investments and cash equivalents:		
Money market funds	\$ 1,448	\$ 13,094
Federal Home Loan Bank discount notes (maturing within one year)	1,061,513	2,345,850
Total unrestricted investments and cash equivalents	1,062,961	2,358,944
Less: amounts reported as unrestricted cash equivalents	(1,448)	(13,094)
Total unrestricted investments	<u>\$ 1,061,513</u>	<u>\$ 2,345,850</u>

Fair Value Hierarchy

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

Notes to the Financial Statements

June 30, 2026 and 2025

Note 4 – Investments (continued)

TFA had the following recurring fair value measurements as of June 30, 2026 and 2025:

- Money market funds of \$23 million and \$36 million, respectively, are valued based on various market and industry inputs (Level 2 inputs).
- U.S. Treasury securities of \$431 million and \$399 million, respectively, are valued using a matrix pricing model (Level 2 inputs).
- U.S. Agencies securities of \$2.2 billion and \$4.0 billion, respectively, are valued using a matrix pricing model (Level 2 inputs).
- Commercial paper of \$790 million and \$587 million, respectively, are valued using a matrix pricing model (Level 2 inputs).

Custodial Credit Risk

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

Credit Risk

All investments held by TFA at June 30, 2026 are obligations of, or guaranteed by, the United States of America, which are rated by S&P AA+, Moody's Aa1, and Fitch AA+, or money market funds invested in eligible governmental obligations, which are rated by S&P AAAm and Moody's Aaa-mf, or commercial paper which are rated by S&P A-1+, Moody's P-1, and Fitch AA.

Interest Rate Risk

TFA's short-term investments are subject to minimal risk of fair value declines due to changes in market interest rates because such investments have short maturities. Investments with longer maturities 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 TFA's investments in a single issuer (5% or more). TFA's investment policy places no limit on the amount TFA may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2026, TFA's investments were in eligible government obligations, commercial paper, or money market funds invested in eligible government obligations.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 5 – Long-Term Liabilities

Debt Program

Pursuant to the New York City Transitional Finance Authority Act (the “Act”), as amended, the Authority issues FTS Bonds payable from PIT imposed by the City and, if such PIT revenues are insufficient, from sales taxes imposed by the City. The Authority is currently authorized to have outstanding \$30.5 billion of FTS Bonds (excluding BARBs as described below) and to issue additional FTS Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of June 30, 2026, the City’s and TFA’s remaining combined debt-incurring capacity was approximately \$29.5 billion.

TFA funds its debt service requirements for all FTS Bonds and its administrative expenses from PIT collected on its behalf by the State and, if necessary, sales tax. Sales taxes are only available to TFA if PIT revenues fall below statutorily specified debt service coverage levels. No sales tax revenues were received or required during the fiscal years 2026 and 2025. TFA remits excess PIT not required for its debt service payments and its administrative expenses to the City. As of June 30, 2026, the interest rates on TFA’s outstanding fixed-rate FTS Bonds ranged from 2.25% to 5.50% on tax-exempt bonds and 0.80% to 5.66% on taxable bonds.

In addition, TFA is permitted to have outstanding \$9.4 billion of BARBs or other obligations for purposes of funding the City school system’s five-year educational facilities capital plan. As of June 30, 2026 and 2025, TFA had \$7.1 billion and \$7.5 billion, respectively, of BARBs outstanding. The BARBs are secured by the building aid payable by the State to the City and assigned to TFA. These State building aid payments are subject to annual appropriation by the State. BARBs are not payable from PIT revenues or sales tax revenues. However, in the event of payment default, BARBs are payable from an intercept of State education aid otherwise payable to the City. As of June 30, 2026, the interest rates on TFA’s outstanding fixed-rate BARBs ranged from 1.00% to 5.25% on tax-exempt bonds and 1.11% to 6.83% on taxable bonds.

TFA’s Indenture includes events of default, certain of which (relating to failure to pay debt service, insolvency, State actions impacting security for the bonds, and failure to meet specified coverage levels) could result in acceleration of TFA bonds if so directed by a majority in interest of Senior bondholders.

Changes in Long-Term Liabilities – FTS Bonds

TFA’s Indenture permits TFA to issue both Senior and Subordinate FTS Bonds. FTS Bonds include Build America Bonds (BABs), Qualified School Construction Bonds (QSCBs), and other forms of debt obligations. Subordinate FTS Bonds outstanding as of June 30, 2026 and 2025, were \$60.4 billion and \$55.6 billion, respectively. There were no Senior FTS Bonds outstanding as of June 30, 2026 and 2025.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 5 – Long-Term Liabilities (continued)

In fiscal years 2026 and 2025, the changes in FTS long-term debt were as follows:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025	Additions	Deletions	Balance at June 30, 2026
	(in thousands)						
Subordinate Bonds	\$ 49,671,155	\$ 12,804,010	\$ (7,193,000)	\$ 55,282,165	\$ 9,313,200	\$ (4,720,360)	\$ 59,875,005
Subordinate Bonds (Direct Borrowings)	275,000	-	-	275,000	200,000	-	475,000
Total before premiums/discounts	49,946,155	12,804,010	(7,193,000)	55,557,165	9,513,200	(4,720,360)	60,350,005
Premiums/(discounts), net	3,856,090	1,106,135	(651,044)	4,311,181	725,621	(657,022)	4,379,780
Total FTS debt	\$ 53,802,245	\$ 13,910,145	\$ (7,844,044)	\$ 59,868,346	\$ 10,238,821	\$ (5,377,382)	\$ 64,729,785
Due within one year	\$ 1,652,900			\$ 1,779,640			\$ 2,192,440

Issuances – FTS Bonds

In fiscal years 2026 and 2025, TFA issued \$6.8 billion and \$7.9 billion, respectively, of new money FTS Bonds. The new money bond proceeds were used to finance the City's capital program.

In fiscal year 2026, TFA issued \$2.7 billion of FTS Bonds to refund \$3.0 billion of outstanding FTS Bonds. The refundings resulted in an accounting gain of \$192 million. TFA, in effect, reduced its aggregate FTS debt service by \$284 million and obtained an economic benefit of \$234 million.

In fiscal year 2025, TFA issued \$4.9 billion of FTS Bonds to refund \$5.6 billion of outstanding FTS Bonds. The refundings resulted in an accounting gain of \$200 million. TFA, in effect, reduced its aggregate FTS debt service by \$443 million and obtained an economic benefit of \$337 million.

Defeasances – FTS

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of TFA. TFA had FTS Bonds refunded with defeasance collateral that are held in escrow accounts on deposit with TFA's Trustee. As of June 30, 2026 and 2025, \$1.8 billion and \$1.2 billion, respectively, of TFA's defeased bonds were still outstanding.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 5 – Long-Term Liabilities (continued)

Debt Service Requirements - FTS

Debt service requirements to maturity for FTS Bonds at June 30, 2026, are as follows:

Fiscal Year	FTS Bonds			FTS Bonds (Direct Borrowing)			Total	Total	Total
	Principal ¹	Interest ²	Total	Principal	Interest ²	Total	Principal	Interest	Debt Service
(in thousands)									
2027	\$ 2,203,765	\$ 2,662,639	\$ 4,866,404	\$ -	\$ 13,770	\$ 13,770	\$ 2,203,765	\$ 2,676,409	\$ 4,880,174
2028	2,286,420	2,574,341	4,860,761	-	13,770	13,770	2,286,420	2,588,111	4,874,531
2029	2,332,075	2,478,407	4,810,482	-	13,770	13,770	2,332,075	2,492,177	4,824,252
2030	2,260,080	2,380,389	4,640,469	-	13,770	13,770	2,260,080	2,394,159	4,654,239
2031	2,363,245	2,278,622	4,641,867	-	13,770	13,770	2,363,245	2,292,392	4,655,637
2032 to 2036	12,517,540	9,744,772	22,262,312	-	68,851	68,851	12,517,540	9,813,623	22,331,163
2037 to 2041	13,612,555	6,645,593	20,258,148	31,030	67,783	98,813	13,643,585	6,713,376	20,356,961
2042 to 2046	11,016,135	3,845,898	14,862,033	243,970	42,372	286,342	11,260,105	3,888,270	15,148,375
2047 to 2051	7,519,525	1,788,315	9,307,840	-	28,990	28,990	7,519,525	1,817,305	9,336,830
2052 to 2056	3,763,665	311,543	4,075,208	200,000	16,805	216,805	3,963,665	328,348	4,292,013
Total	\$ 59,875,005	\$ 34,710,519	\$ 94,585,524	\$ 475,000	\$ 293,651	\$ 768,651	\$ 60,350,005	\$ 35,004,170	\$ 95,354,175

¹Principal amounts include sinking fund requirements for the Qualified School Construction Bonds ("QSCBs"). Debt service for QSCBs might not be paid in the same year as the deposit is made in the sinking fund as shown in this schedule.

²The variable rate interest used in this table was 2.47% on tax-exempt bonds and 2.90% on index bonds.

Changes in Long-Term Liabilities – BARBs

TFA's Indenture permits TFA to issue BARBs. BARBs include Build America Bonds (BABs), Qualified School Construction Bonds (QSCBs), and other forms of debt obligations. BARBs outstanding as of June 30, 2026 and 2025, were \$7.1 billion and \$7.5 billion, respectively.

In fiscal years 2026 and 2025, the changes in BARBs long-term debt were as follows:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025	Additions	Deletions	Balance at June 30, 2026
(in thousands)							
Building Aid							
Revenue Bonds	\$ 7,220,330	\$ -	\$ (206,820)	\$ 7,014,050	\$ 1,390,090	\$ (1,736,040)	\$ 6,668,100
Build America Bonds	251,470	-	(9,700)	241,770	-	(10,340)	231,430
Qualified School Construction Bonds	200,000	-	-	200,000	-	-	200,000
Total before premiums/discounts	7,671,800	-	(215,980)	7,455,820	1,390,090	(1,746,380)	7,099,530
Premiums/(discounts), net	684,686	-	(69,692)	614,994	114,523	(186,220)	543,297
Total BARBs debt	\$ 8,356,486	\$ -	\$ (285,672)	\$ 8,070,814	\$ 1,504,613	\$ (1,932,600)	\$ 7,642,827
Due within one year	\$ 215,980			\$ 223,785			\$ 363,850

Notes to the Financial Statements

June 30, 2026 and 2025

Note 5 – Long-Term Liabilities (continued)

Issuances – BARBs

In fiscal year 2026, TFA issued \$1.4 billion of BARBs to refund \$1.5 billion of outstanding BARBs. The refundings resulted in an accounting gain of \$119 million. TFA, in effect, reduced its aggregate BARBs debt service by \$113 million and obtained an economic benefit of \$102 million.

Defeasances – BARBs

TFA had BARBs refunded with defeasance collateral that are held in escrow accounts on deposit with TFA's Trustee. The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of TFA. As of June 30, 2026 and 2025, \$18.8 million and \$108 million of TFA's defeased bonds, respectively, were still outstanding.

Debt Service Requirements – BARBs

Debt service requirements to maturity for BARBs at June 30, 2026, are as follows:

Fiscal Year	Principal	Interest	Total Debt Service
		(in thousands)	
2027	\$ 363,850	\$ 330,364	\$ 694,214
2028	331,465	315,048	646,513
2029	346,465	300,424	646,889
2030	362,280	284,575	646,855
2031	408,315	264,071	672,386
2032 to 2036	2,389,695	972,345	3,362,040
2037 to 2041	1,830,795	413,685	2,244,480
2042 to 2046	864,190	119,365	983,555
2047 to 2051	202,475	9,906	212,379
Total	\$ 7,099,530	\$ 3,009,781	\$ 10,109,311

Variable Rate Demand Bonds – FTS

As of June 30, 2026 and 2025, TFA had \$3.5 billion and \$3.1 billion, respectively, of Variable Rate Demand Bonds ("VRDBs") outstanding. The VRDBs are remarketed by remarketing agents on a daily or weekly basis. Interest rates determined by such remarketing agents for such periods represent the lowest rate of interest that would cause the VRDBs to have a market value equal to par. Interest rates cannot exceed 9% on tax-exempt bonds. In fiscal years 2026 and 2025, the VRDBs averaged 2.47% and 2.86%, respectively, on tax-exempt bonds.

The VRDBs are backed by either a Standby Bond Purchase Agreement ("SBPA") or a Letter of Credit ("LOC"), providing for the purchase of the VRDBs by a bank in the event they cannot be remarketed. In such case, the interest rate on the VRDBs would typically increase and would be determined by reference to specified index rates plus a spread (in some cases, with a minimum rate), up to a maximum of 25%. No VRDBs were held by such banks during the fiscal years ended June 30, 2026, or June 30, 2025. SBPAs and LOCs may be terminated by the respective banks upon the occurrence of specified events of default.

Notes to the Financial Statements

June 30, 2026 and 2025

Note 5 – Long-Term Liabilities (continued)

As of June 30, 2026, TFA had 28 series of Variable Rate Demand Bonds (“VRDBs”) outstanding that may be tendered at the option of their holders, as shown in the table below.

Series	Outstanding Principal Amount	Provider	Expiration Date
2011 A-4	\$ 100,000,000	Barclays Bank PLC	April 12, 2027
2013 A-4	50,000,000	JPMorgan Chase Bank, N.A.	August 10, 2026
2013 A-7	111,075,000	State Street Bank and Trust Company	August 13, 2026
2013 C-4	62,965,000	JPMorgan Chase Bank, N.A.	November 29, 2029
2013 C-5	148,000,000	Sumitomo Mitsui Banking Corporation	November 15, 2030
2014 B-3	75,000,000	Barclays Bank PLC	March 29, 2027
2014 D-3	100,000,000	Mizuho Bank, Ltd.	April 15, 2027
2014 D-4	100,000,000	Mizuho Bank, Ltd.	April 15, 2027
2015 A-3	100,000,000	Mizuho Bank, Ltd.	July 2, 2027
2015 A-4	100,000,000	Mizuho Bank, Ltd.	July 2, 2027
2015 E-3	100,000,000	JPMorgan Chase Bank, N.A.	April 21, 2028
2015 E-4	90,000,000	Bank of America, N.A.	April 19, 2030
2016 A-4	100,000,000	Bank of America, N.A.	September 25, 2026
2016 E-4	150,000,000	JPMorgan Chase Bank, N.A.	February 24, 2028
2018 C-6	100,000,000	Sumitomo Mitsui Banking Corporation	May 4, 2028
2018 C-7	75,000,000	TD Bank, N.A.	May 21, 2027
2019 A-4	200,000,000	JPMorgan Chase Bank, N.A.	August 10, 2026
2019 B-4	200,000,000	JPMorgan Chase Bank, N.A.	September 24, 2026
2019 B-5	75,000,000	U.S. Bank National Association	August 20, 2027
2019 C-4	150,000,000	Barclays Bank PLC	April 12, 2027
2023 A-2	200,000,000	UBS AG	July 30, 2027
2023 A-3	100,000,000	The Bank of New York Mellon	August 4, 2028
2024 C-4	100,000,000	Sumitomo Mitsui Banking Corporation	October 1, 2029
2025 C-3	200,000,000	Sumitomo Mitsui Banking Corporation	October 1, 2029
2025 H-2	200,000,000	TD Bank, N.A.	April 1, 2030
2025 H-3	100,000,000	Bank of America, N.A.	March 30, 2029
2026 A-2	200,000,000	Bank of America, N.A.	August 10, 2029
2026 F-3	200,000,000	U.S. Bank National Association	February 3, 2031
Total	\$ 3,487,040,000		

Notes to the Financial Statements

June 30, 2026 and 2025

Note 5 – Long-Term Liabilities (continued)

Index Bonds

As of June 30, 2026 and 2025, TFA had \$475 million and \$275 million, respectively, of Index Rate Bonds outstanding, which were not publicly offered but were purchased by banks through direct placements. TFA's Index Rate Bonds pay interest based on a specified index. Some Index Rate Bonds continue to pay interest based on such index through maturity. Other Index Rate Bonds provide for an increased rate of interest commencing on an identified step-up date if such bonds are not converted or refunded in advance of such date. Such increased rate of interest is, in some cases, 9% and, in other cases, based on a specified index rate plus a spread. In fiscal years 2026 and 2025, interest rates on the Index Rate Bonds averaged 2.90% and 3.46%, respectively.

Retention Requirements

As of June 30, 2026 and 2025, the Authority was required to hold in its debt service accounts the following:

	June 30, 2026			June 30, 2025		
	Principal	Interest	Total	Principal	Interest	Total
	(in thousands)					
Required for FTS	\$ 170,920	\$ 387,180	\$ 558,100	\$ 164,185	\$ 377,873	\$ 542,058
Required for BARBs	370,825	330,364	701,189	230,760	348,528	579,288
Total	\$ 541,745	\$ 717,544	\$ 1,259,289	\$ 394,945	\$ 726,401	\$ 1,121,346

The Authority held \$1.2 billion and \$2.3 billion in excess of amounts required to be retained for FTS Bonds debt service under the Indenture as of June 30, 2026 and 2025, respectively. The Authority held \$4.5 million and \$10.4 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2026 and 2025, respectively.

Note 6 – Unrestricted Grants

In fiscal years 2026 and 2025, the Authority received unrestricted grants in the amount of \$1.2 billion and \$2.3 billion, respectively. These grants were used to fund future year's debt service requirements for FTS Bonds and reduced the amount of PIT retained for such purpose. These grants are reported as assigned for debt service in the governmental funds balance sheets.

Note 7 – Subsequent Events

On July 30, 2026 the Authority issued \$1.5 billion of Fiscal 2027 Series A FTS tax-exempt bonds. The proceeds from Fiscal 2026 Series A will be used to finance the City's capital program.

On August 27, 2026, the Authority issued \$1.9 billion of Fiscal 2027 Series B FTS Bonds, comprising \$1.5 billion of Subseries B-1 tax-exempt bonds and \$415 million of Subseries B-2 of taxable bonds. The proceeds from Fiscal 2027 Series B will be used to finance the City's capital program.

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