



TSASC, Inc.
(A Component Unit of The City of New York)

Financial Statements
(Together with Independent Auditors' Report)

June 30, 2025 and 2024

TSASC, INC.
(A Component Unit of The City of New York)

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

JUNE 30, 2025 AND 2024

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INDEPENDENT AUDITORS' REPORT

The Members of the Board of Directors
TSASC, Inc.
New York, NY

Opinions

We have audited the financial statements of the governmental activities and governmental funds of TSASC, Inc. ("TSASC"), a component unit of The City of New York, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise TSASC'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 TSASC as of June 30, 2025 and 2024, 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 TSASC 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 TSASC'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 TSASC'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 TSASC'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 26, 2025

TSASC, INC.

(A Component Unit of The City of New York)

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

The following is a narrative overview and analysis of the financial activities of TSASC, Inc. ("TSASC") for the fiscal years ended June 30, 2025 and 2024. It should be read in conjunction with TSASC'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 the reporting entity as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of TSASC'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 the related cash flows.

TSASC'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. Therefore, revenues are considered available if received within two months after the fiscal year-end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable, which are recognized when due.

The reconciliations of the governmental funds balance sheets to the statements of net position (deficit) and the 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.

On January 19, 2017, TSASC issued \$613 million 2017 Series A Senior Bonds and \$490 million 2017 Series B Subordinate Bonds, which allowed TSASC to refinance all its bonds outstanding under a new indenture. Of the \$490 million 2017 Series B Subordinate Bonds, \$450 million were exchanged rather than refunded. The Amended and Restated Indenture dated December 1, 2016, (the "2016 Indenture") continued to provide that 37.4% of TSASC's annual collection of Tobacco Settlement Revenues ("TSRs") are pledged for payment of TSASC's debt service and operating costs ("Pledged TSRs"). The remaining 62.6% of TSASC's annual collection of TSRs ("Unpledged TSRs") and the related interest earnings are transferred to the TSASC Tobacco Settlement Trust (the "Trust"), as owner of the Residual Certificate. The City of New York (the "City") is the beneficial owner of the Trust and the funds received by the Trust, net of the Trust's expenses and interest earnings, are transferred to the City. On December 9, 2024, TSASC entered into a Security Agreement with the Indenture Trustee (the "Security Agreement"), pursuant to which TSASC pledged to the Indenture Trustee, and granted thereto a lien on and security interest in, TSASC's right, title and interest in the Unpledged TSRs. The Security Agreement stipulates that Unpledged TSRs are to be used, to the extent needed, to cure shortfalls on debt service payments for TSASC's outstanding bonds if Pledged TSRs and liquidity reserves are insufficient to make such payments, beginning with the June 1, 2025, payment and through, at the latest, the June 1, 2028, payment. The Security Agreement and such pledge may be terminated earlier by TSASC upon ninety days' notice to the Indenture Trustee.

The 2016 Indenture provides for the redemption of the exchanged bonds, through the application of excess revenues, and fixed maturity principal payments on all other refunding bonds.

TSASC, INC.

(A Component Unit of The City of New York)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024 (unaudited) (continued)****FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

	2025	2024	2023	Variance	
			(in thousands)	2025/2024	2024/2023
Revenues:					
Tobacco settlement revenue	\$ 147,422	\$ 156,917	\$ 192,085	\$ (9,495)	\$ (35,168)
Investment earnings	3,917	4,606	3,327	(689)	1,279
Total revenues	151,339	161,523	195,412	(10,184)	(33,889)
Expenses:					
Transfer to the Trust	80,504	98,604	120,425	(18,100)	(21,821)
Bond interest	43,099	44,396	45,639	(1,297)	(1,243)
General and administrative	665	634	512	31	122
Total expenses	124,268	143,634	166,576	(19,366)	(22,942)
Change in net position	27,071	17,889	28,836	9,182	(10,947)
Net position (deficit), beginning of year	(821,348)	(839,237)	(868,073)	17,889	28,836
Net position (deficit), end of year	\$ (794,277)	\$ (821,348)	\$ (839,237)	\$ 27,071	\$ 17,889

TSRs earned during the fiscal year are generally based upon tobacco sales of the previous calendar year, adjusted by such factors including inflation, volume, and the amount of reduction tied to the volume of cigarettes manufactured and sold on Native American reservations. TSASC earned TSRs of approximately \$147 million, \$157 million, and \$192 million in fiscal years 2025, 2024 and 2023, respectively. The decreases each year are primarily due to decreasing tobacco sales.

The variances of investment earnings in fiscal years 2025 and 2024 were primarily attributable to market value and interest rate fluctuations on investments. All investments held by TSASC are expected to be held to maturity and, as such, will not realize losses on market valuations.

Transfers to the Trust are based on TSRs received during the fiscal year and fluctuated each year. Additionally, in fiscal year 2025, \$12.0 million of Unpledged TSRs was used to cure a shortfall on subordinate debt service pursuant to the Security Agreement. Bond interest reported in each fiscal year was based on bond principal balances, which were offset by the amortization of bond premium and deferred refunding costs. Bond interest decreased each fiscal year as declining bonds outstanding resulted in reduced bond interest costs. Other expenses were composed of general and administrative costs and fluctuated each year based on allocated costs associated with management's time spent conducting TSASC's operations.

TSASC, INC.

(A Component Unit of The City of New York)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024 (unaudited) (continued)****FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)**

The following summarizes TSASC's assets, deferred outflows of resources, liabilities, and net position (deficit) as of June 30,

	2025	2024	2023	Variance	
			(in thousands)	2025/2024	2024/2023
Assets:					
Total assets - non-capital	\$ 148,019	\$ 158,702	\$ 180,810	\$ (10,683)	\$ (22,108)
Deferred outflows of resources	12,328	13,099	13,869	(771)	(770)
Liabilities:					
Current liabilities	77,019	87,411	94,634	(10,392)	(7,223)
Long-term liabilities	877,605	905,738	939,282	(28,133)	(33,544)
Total liabilities	954,624	993,149	1,033,916	(38,525)	(40,767)
Net position (deficit):					
Unrestricted	(794,277)	(821,348)	(839,237)	27,071	17,889
Net position (deficit), end of year	\$ (794,277)	\$ (821,348)	\$ (839,237)	\$ 27,071	\$ 17,889

TSASC's total assets for the fiscal years 2025, 2024 and 2023 primarily consisted of investments restricted for debt service and of TSRs due to TSASC at fiscal year-end.

The deferred outflows of resources reported in fiscal years 2025, 2024 and 2023 resulted from the 2017 bond refunding transaction and represents the difference between removing the carrying amount of the refunded bonds and recording the 2017 Series A and B bond transaction, which declined each year as the amount is amortized over the life of the bonds.

Current liabilities are composed of accrued operating expenses, accrued interest expenses, TSRs payable to the Trust, and bonds payable due within one year.

Long-term liabilities decreased each year due to annual principal payments and amortization of bond premium of the outstanding bonds.

TSASC, INC.

(A Component Unit of The City of New York)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024 (unaudited) (continued)****FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

TSASC reports governmental activity using two funds: (1) a general fund ("GF") and (2) a debt service fund ("DSF").

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

	2025	2024	2023	Variance	
			(in thousands)	2025/2024	2024/2023
Revenues:					
Tobacco settlement revenue	\$ 86,145	\$ 107,295	\$ 124,248	\$ (21,150)	\$ (16,953)
Investment earnings	15	397	194	(382)	203
Total revenues	86,160	107,692	124,442	(21,532)	(16,750)
Expenditures:					
Transfer to the Trust	85,512	107,055	123,868	(21,543)	(16,813)
General and administrative	665	634	512	31	122
Total expenditures	86,177	107,689	124,380	(21,512)	(16,691)
Net change in fund balances	(17)	3	62	(20)	(59)
Fund balances, beginning of year	635	632	570	3	62
Fund balances, end of year	\$ 618	\$ 635	\$ 632	\$ (17)	\$ 3

Revenues recorded in the GF are primarily composed of TSRs collected each year. As the majority of TSRs recorded in the GF belong to the Trust and are also recorded as expenditures, there is very little net impact on the GF fund balance.

The remaining TSRs not transferred to the Trust are used for operations and reported as other expenditures. This amount fluctuated each year based on management's time spent conducting TSASC's operations, which determines the amount of general and administrative costs.

TSASC, INC.

(A Component Unit of The City of New York)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024 (unaudited) (continued)****FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)**

The following summarizes the changes in TSASC's DSF for the years ended June 30,

	2025	2024	2023	Variance	
			(in thousands)	2025/2024	2024/2023
Revenues:					
Tobacco settlement revenue	\$ 69,277	\$ 63,122	\$ 73,337	\$ 6,155	\$ (10,215)
Investment earnings	3,902	4,209	3,133	(307)	1,076
Total revenues	73,179	67,331	76,470	5,848	(9,139)
Expenditures:					
Bond interest	45,453	46,906	48,297	(1,453)	(1,391)
Principal amount of bonds retired	30,385	29,050	27,835	1,335	1,215
Total expenditures	75,838	75,956	76,132	(118)	(176)
Net change in fund balances	(2,659)	(8,625)	338	5,966	(8,963)
Fund balances, beginning of year	73,039	81,664	81,326	(8,625)	338
Fund balances, end of year	<u>\$ 70,380</u>	<u>\$ 73,039</u>	<u>\$ 81,664</u>	<u>\$ (2,659)</u>	<u>\$ (8,625)</u>

TSRs recorded in the DSF for fiscal years 2025, 2024 and 2023 were based on the amount collected each year to pay debt service obligations, pursuant to the 2016 Indenture. The increase in TSRs in fiscal year 2025 was due to the Security Agreement that provided Unpledged TSRs for debt service. The variances of investment earnings (loss) in fiscal years 2025, 2024 and 2023 were primarily due to market value and interest rate fluctuations on investments, as previously discussed.

TSASC, INC.

(A Component Unit of The City of New York)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024 (unaudited) (continued)****FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)**

The following summarizes GF assets, liabilities, deferred inflows of resources, and fund balances as of June 30,

	2025	2024	2023	Variance	
				2025/2024	2024/2023
			(in thousands)		
Assets:					
Cash equivalents	\$ 636	\$ 660	\$ 642	\$ (24)	\$ 18
Tobacco settlement revenue receivable	48,202	53,210	61,661	(5,008)	(8,451)
Accrued interest receivable	3	3	4	-	(1)
Total assets	<u>\$ 48,841</u>	<u>\$ 53,873</u>	<u>\$ 62,307</u>	<u>\$ (5,032)</u>	<u>\$ (8,434)</u>
Liabilities	<u>\$ 21</u>	<u>\$ 28</u>	<u>\$ 14</u>	<u>\$ (7)</u>	<u>\$ 14</u>
Deferred inflows of resources	<u>48,202</u>	<u>53,210</u>	<u>61,661</u>	<u>(5,008)</u>	<u>(8,451)</u>
Fund Balances:					
Unassigned	<u>618</u>	<u>635</u>	<u>632</u>	<u>(17)</u>	<u>3</u>
Total fund balances	<u>618</u>	<u>635</u>	<u>632</u>	<u>(17)</u>	<u>3</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,841</u>	<u>\$ 53,873</u>	<u>\$ 62,307</u>	<u>\$ (5,032)</u>	<u>\$ (8,434)</u>

The GF assets at June 30, 2025, 2024 and 2023, totaled approximately \$48.8 million, \$53.9 million and \$62.3 million, respectively. The variances of total assets between fiscal years were primarily due to the change of estimated TSRs receivable, which is based on current year's TSRs collections, as previously discussed. As the majority of the assets recorded in the GF are TSRs receivable belonging to the Trust, which are also recorded as deferred inflows of resources, there is little net impact on the GF fund balance.

TSASC, INC.

(A Component Unit of The City of New York)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024 (unaudited) (continued)****FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)**

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

	2025	2024	2023	Variance	
			(in thousands)	2025/2024	2024/2023
Assets:					
Cash equivalents and investments	\$ 70,374	\$ 73,023	\$ 81,663	\$ (2,649)	\$ (8,640)
Tobacco settlement revenue receivable	28,798	31,790	36,839	(2,992)	(5,049)
Accrued interest receivable	6	16	1	(10)	15
Total assets	\$ 99,178	\$ 104,829	\$ 118,503	\$ (5,651)	\$ (13,674)
 Deferred inflows of resources	 \$ 28,798	 \$ 31,790	 \$ 36,839	 \$ (2,992)	 \$ (5,049)
Fund Balances:					
Restricted for debt service	70,380	73,039	81,664	(2,659)	(8,625)
Total fund balances	70,380	73,039	81,664	(2,659)	(8,625)
 Total deferred inflows of resources and fund balances	 \$ 99,178	 \$ 104,829	 \$ 118,503	 \$ (5,651)	 \$ (13,674)

The changes in cash equivalents and investments each year result from the amount held for debt service, which is affected by TSRs collections. In April 2025, TSASC did not receive sufficient Pledged TSRs to fully fund its scheduled June and December subordinate debt service requirements. TSASC drew the remaining balance of \$2.3 million from its Subordinate Liquidity Reserve Account and used \$12.0 million of Unpledged TSRs pursuant to the Security Agreement in order to meet its subordinate debt service requirements for June and December. In April 2024, TSASC did not receive sufficient Pledged TSRs to fully fund its scheduled June and December subordinate debt service requirements. TSASC drew \$8.3 million from its Subordinate Liquidity Reserve Account in order to meet its debt service requirement. In April 2023, pledged TSR receipts were sufficient for TSASC to fully fund its scheduled debt service payments and partially replenish its Subordinate Liquidity Reserve Account.

Variances in receivables and deferred inflows of resources from year to year are primarily due to changes in TSRs receivable each year.

RISK FACTORS AND FUTURE REVENUE

The Master Settlement Agreement ("MSA"), dated November 23, 1998, is an industry-wide settlement of litigation between participating cigarette manufacturers and 46 States (the "Settling States"), including the State of New York (the "State"). The MSA governs the amount of TSRs received by TSASC, which is 3.4% of total TSRs paid by the participating cigarette manufacturers. TSRs reflect numerous adjustments as described in the MSA, including adjustments relating to inflation, sales volume, non-settling states, Non-Participating Manufacturer Adjustment ("NPM Adjustment"), and miscalculated or disputed payments.

TSASC, INC.

(A Component Unit of The City of New York)

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

RISK FACTORS AND FUTURE REVENUE (continued)

In 2015, the State entered into a settlement agreement with the tobacco companies that resolved all past disputes and prohibits future disputes relating to the NPM Adjustment. The NPM Settlement Agreement provided for:

- Release of 90% of disputed and withheld TSRs relating to years 2004 through 2014;
- The reduction of future TSR payments in accordance with a set formula tied to the volume of cigarettes manufactured and sold on Native American reservations; and
- The termination of further disputed withholdings related to the NPM Adjustment.

The settlement does not preclude disputes related to other adjustments. As part of the agreement, the State received a total of \$701 million from the disputed escrow account, of which TSASC received \$176 million in fiscal year 2016. Of that amount, \$66 million was pledged for debt service and the remainder was remitted to the City in accordance with the 2016 Indenture.

TSASC has no control over the amount of TSRs it receives. Risks in connection with future receipts of TSRs include the reduction of TSRs tied to the volume of cigarettes manufactured and sold on Native American reservations, litigation involving the participating manufacturers ("PMs") that could lead to bankruptcy of the PMs, continuing declines in cigarette consumption materially beyond forecasted levels, tobacco excise taxes, restrictions on smoking in public areas, and other potential unforeseen future adjustments to the calculation of TSRs. Further, adverse court rulings, independent of the settlement, could impact upon future MSA payments to TSASC. Reductions in TSRs payments to TSASC could impair TSASC's ability to meet its payment obligations.

ECONOMIC OUTLOOK

On January 19, 2017, TSASC issued \$613 million 2017 Series A Senior Bonds and \$490 million 2017 Series B Subordinate Bonds under the 2016 Indenture, which allowed TSASC to refund its Series 2006-1 bonds outstanding and established a Senior Liquidity Reserve Account of \$48.0 million and Subordinate Liquidity Reserve Account of \$40.3 million. Future debt service payments on all outstanding bonds are contingent on TSRs collected by TSASC. TSRs are dependent on several factors, including, but not limited to a discount adjustment on the volume of cigarettes manufactured and sold on Native American reservations pursuant to the NPM Settlement Agreement, as previously discussed. In structuring the financial transaction for the issuance of bonds, TSASC engaged the services of an independent consultant to develop forecasts of the TSRs. However, the actual TSRs received have been significantly lower than those forecasted.

In April 2025, TSASC received \$58.1 million of pledged TSRs, which differed from the fiscal year 2017 forecast of \$85 million. In April 2024, TSASC received \$63.7 million of pledged TSRs, which differed from the 2017 forecast of \$85 million. The reduced payments resulted primarily from the latest determination by an Independent Investigator that 165.9 million Tribal NPM Packs were sold in 2019; this figure was used in determining the 2025 and 2024 payments. Due to the reduced payments of TSRs, TSASC has drawn the entire \$40.3 million from its Subordinate Liquidity Reserve Account beginning in December 2017 through June 2025 in order to meet its debt service requirements.

As a result of the significantly lower TSRs and depletion of the Subordinate Liquidity Reserve Account, TSASC entered into the previously discussed Security Agreement that allows TSASC to use Unpledged TSRs to cure any shortfalls on its debt service payments when Pledged TSRs and liquidity reserves are insufficient to make these payments. The Security Agreement was effective beginning with the June 1, 2025, payment and through, at the latest, the June 1, 2028, payment and may be terminated earlier by TSASC upon ninety days' notice to the Indenture Trustee.

TSASC, INC.

(A Component Unit of The City of New York)

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

RATINGS

In a report released March 13, 2025, S&P affirmed or changed the assigned ratings on TSASC bonds as discussed below.

The 2017 Series A serial bonds maturing in fiscal years 2030 through 2033 were downgraded to “BBB” from “A”; the Series A serial bonds maturing in fiscal years 2034 through 2036 were downgraded to “BBB” from “A-”, the 2017 Series A Term Bonds maturing in fiscal year 2041 were downgraded to “BBB” from “A” and the 2017 Series A bonds maturing in 2026 through 2029 were affirmed at an “A” rating.

The 2017 Series B Turbo Term Bonds maturing in 2045 are rated “CCC+” and the Series B Turbo Term Bonds maturing in fiscal year 2048 are not rated.

Moody's and Fitch did not rate TSASC bonds during the years reported herein.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of TSASC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed:

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

TSASC, INC.

(A Component Unit of The City of New York)

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

	2025	2024
	(in thousands)	
ASSETS:		
Unrestricted cash equivalents	\$ 636	\$ 660
Restricted cash equivalents	76	94
Restricted investments	70,298	72,929
Tobacco settlement revenue receivable	77,000	85,000
Accrued interest receivable	9	19
Total assets	148,019	158,702
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized loss on refunding	12,328	13,099
Total deferred outflows of resources	12,328	13,099
LIABILITIES:		
Accrued expenses	21	28
Accrued interest payable	3,661	3,788
Remittance payable to the Trust	48,202	53,210
Bonds payable:		
Portion due within one year	25,135	30,385
Portion due after one year	877,605	905,738
Total liabilities	954,624	993,149
NET POSITION (DEFICIT):		
Unrestricted (deficit)	(794,277)	(821,348)
Total net position (deficit)	\$ (794,277)	\$ (821,348)

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

TSASC, INC.

(A Component Unit of The City of New York)

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

	2025	2024
	(in thousands)	
REVENUES:		
Tobacco settlement revenue:		
Tobacco settlement revenue - pledged	\$ 55,136	\$ 58,687
Tobacco settlement revenue - additional pledged	11,782	-
Tobacco settlement revenue - unpledged	80,504	98,230
Total tobacco settlement revenue	147,422	156,917
Investment earnings	3,917	4,606
Total revenues	151,339	161,523
EXPENSES:		
Transfer to the Trust	80,504	98,604
Bond interest	43,099	44,396
General and administrative	665	634
Total expenses	124,268	143,634
Change in net position (deficit)	27,071	17,889
NET POSITION (DEFICIT) - beginning of year	(821,348)	(839,237)
NET POSITION (DEFICIT) - end of year	\$ (794,277)	\$ (821,348)

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

TSASC, INC.

(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2025**

	General Fund	Debt Service Fund	Total Governmental Funds
		(in thousands)	
ASSETS:			
Unrestricted cash equivalents	\$ 636	\$ -	\$ 636
Restricted cash equivalents	-	76	76
Restricted investments	-	70,298	70,298
Tobacco settlement revenue receivable	48,202	28,798	77,000
Accrued interest receivable	3	6	9
	<u>3</u>	<u>6</u>	<u>9</u>
Total assets	<u>\$ 48,841</u>	<u>\$ 99,178</u>	<u>\$ 148,019</u>
LIABILITIES:			
Accounts payable	\$ 21	\$ -	\$ 21
	<u>21</u>	<u>-</u>	<u>21</u>
Total liabilities	<u>21</u>	<u>-</u>	<u>21</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable tobacco settlement revenue	48,202	28,798	77,000
	<u>48,202</u>	<u>28,798</u>	<u>77,000</u>
Total deferred inflows of resources	<u>48,202</u>	<u>28,798</u>	<u>77,000</u>
FUND BALANCES:			
Restricted for debt service	-	70,380	70,380
Unassigned	618	-	618
	<u>618</u>	<u>70,380</u>	<u>70,998</u>
Total fund balances	<u>618</u>	<u>70,380</u>	<u>70,998</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,841</u>	<u>\$ 99,178</u>	<u>\$ 148,019</u>

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

TSASC, INC.

(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2024**

	General Fund	Debt Service Fund	Total Governmental Funds
		(in thousands)	
ASSETS:			
Unrestricted cash equivalents	\$ 660	\$ -	\$ 660
Restricted cash equivalents	-	94	94
Restricted investments	-	72,929	72,929
Tobacco settlement revenue receivable	53,210	31,790	85,000
Accrued interest receivable	3	16	19
Total assets	<u>\$ 53,873</u>	<u>\$ 104,829</u>	<u>\$ 158,702</u>
LIABILITIES:			
Accounts payable	\$ 28	\$ -	\$ 28
Total liabilities	<u>28</u>	<u>-</u>	<u>28</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable tobacco settlement revenue	<u>53,210</u>	<u>31,790</u>	<u>85,000</u>
Total deferred inflows of resources	<u>53,210</u>	<u>31,790</u>	<u>85,000</u>
FUND BALANCES:			
Restricted for debt service	-	73,039	73,039
Unassigned	<u>635</u>	<u>-</u>	<u>635</u>
Total fund balances	<u>635</u>	<u>73,039</u>	<u>73,674</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 53,873</u>	<u>\$ 104,829</u>	<u>\$ 158,702</u>

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

TSASC, INC.

(A Component Unit of The City of New York)

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

	<u>2025</u>	<u>2024</u>
	<u>(in thousands)</u>	
Total fund balances - governmental funds	\$ 70,998	\$ 73,674
Amounts reported for governmental activities in the statements of net position (deficit) are different because:		
Bond premiums are reported as other financing sources in the governmental funds financial statements upon issuance. However, in the statements of net position (deficit), bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(24,070)	(27,068)
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.	12,328	13,099
Unavailable tobacco settlement revenue earned but not received within two months after year-end, is reported as a deferred inflows of resources in the governmental funds financial statements because it is not currently available; however, it is recognized as revenue in the statements of net position (deficit).	77,000	85,000
Liabilities not due and not payable in the current period from current financial resources are not reported in the governmental funds financial statements, but are reported in the statements of net position (deficit). Those liabilities consist of:		
Bonds payable	(878,670)	(909,055)
Accrued interest payable	(3,661)	(3,788)
Remittance payable to the Trust	(48,202)	(53,210)
Net position (deficit) of governmental activities	<u>\$ (794,277)</u>	<u>\$ (821,348)</u>

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

TSASC, INC.

(A Component Unit of The City of New York)

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

	<u>General Fund</u>	<u>Debt Service Fund</u> (in thousands)	<u>Total Governmental Funds</u>
REVENUES:			
Tobacco settlement revenue:			
Tobacco settlement revenue - pledged	\$ 633	\$ 57,495	\$ 58,128
Tobacco settlement revenue - additional pledged	-	11,782	11,782
Tobacco settlement revenue - unpledged	85,512	-	85,512
Total tobacco settlement revenue	86,145	69,277	155,422
Investment earnings	15	3,902	3,917
Total revenues	86,160	73,179	159,339
EXPENDITURES:			
Transfer to the Trust:			
Tobacco settlement revenue and interest earnings	85,512	-	85,512
Bond interest	-	45,453	45,453
Principal amount of bonds retired	-	30,385	30,385
General and administrative	665	-	665
Total expenditures	86,177	75,838	162,015
Net change in fund balances	(17)	(2,659)	(2,676)
FUND BALANCES - beginning of year	635	73,039	73,674
FUND BALANCES - end of year	<u>\$ 618</u>	<u>\$ 70,380</u>	<u>\$ 70,998</u>

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

TSASC, INC.

(A Component Unit of The City of New York)

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

	General Fund	Debt Service Fund	Total Governmental Funds
		(in thousands)	
REVENUES:			
Tobacco settlement revenue:			
Tobacco settlement revenue - pledged	\$ 614	\$ 63,122	\$ 63,736
Tobacco settlement revenue - unpledged	106,681	-	106,681
Total tobacco settlement revenue	107,295	63,122	170,417
Investment earnings	397	4,209	4,606
Total revenues	107,692	67,331	175,023
EXPENDITURES:			
Transfer to the Trust:			
Tobacco settlement revenue and interest earnings	107,055	-	107,055
Bond interest	-	46,906	46,906
Principal amount of bonds retired	-	29,050	29,050
General and administrative	634	-	634
Total expenditures	107,689	75,956	183,645
Net change in fund balances	3	(8,625)	(8,622)
FUND BALANCES - beginning of year	632	81,664	82,296
FUND BALANCES - end of year	\$ 635	\$ 73,039	\$ 73,674

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

TSASC, INC.

(A Component Unit of The City of New York)

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

	<u>2025</u>	<u>2024</u>
	(in thousands)	
Net change in fund balances - governmental funds	\$ (2,676)	\$ (8,622)
Amounts reported for governmental activities in the statements of activities are different because:		
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.	(771)	(770)
Tobacco settlement revenue not available in the current period is deferred in the governmental funds financial statements and included in revenue in the statements of activities.	(8,000)	(13,500)
Payment of bond principal is an expenditure in the governmental funds financial statements, but the payment reduces bonds payable in the statements of net position (deficit).	30,385	29,050
The governmental funds financial statements report bond premiums as other financing (uses) upon issuance. However, in the statements of activities, bond premiums are amortized over the life of the bond and offset bond interest.	2,998	3,159
Interest is reported in the statements of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds financial statements when the outlay of financial resources is paid.	127	121
Transfer to the Trust is reported in the statements of activities on the accrual basis, but is reported only as an expenditure in the general fund when the payment is actually made.	5,008	8,451
Change in net position (deficit) - governmental activities	<u>\$ 27,071</u>	<u>\$ 17,889</u>

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

TSASC, INC.

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

TSASC, Inc. (“TSASC”) is a special purpose, local development corporation organized under the Not-For-Profit Corporation Law of the State of New York (the “State”). TSASC is an instrumentality of, but separate and apart from, the City of New York (the “City”). TSASC 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, the Commissioner of Finance, the Corporation Counsel of the City, the Comptroller of the City, and the Speaker of the Council. Although legally separate from the City, TSASC 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.

Pursuant to a Purchase and Sale Agreement with the City, the City sold to TSASC all of its future rights, title, and interest in the Tobacco Settlement Revenues (“TSRs”) under the Master Settlement Agreement (“MSA”) and the Decree and Final Judgment (the “Decree”). The MSA resolved cigarette smoking-related litigation between the settling States and the Participating Manufacturers (“PMs”), released the PMs from past and present smoking-related claims, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions, among other things. The Decree, which was entered by the Supreme Court of the State, allocated to the City a share of the TSRs under the MSA. The future right, title and interest of the City to the TSRs were sold to TSASC.

The purchase price of the City’s future right, title and interest in the TSRs was financed by the issuance of a series of bonds and the Residual Certificate. Prior to the restructuring of TSASC’s debt (discussed below) the Residual Certificate represented the entitlement to receive all TSRs after payment of debt service, operating expenses and certain other costs as set forth in the original bond indenture.

On January 19, 2017, TSASC issued \$613 million 2017 Series A Senior Bonds and \$490 million 2017 Series B subordinate bonds, which allowed TSASC to refinance all its bonds outstanding under a new indenture. Of the \$490 million 2017 Series B subordinate bonds, \$450 million were exchanged rather than refunded. The Amended and Restated Indenture dated December 1, 2016, (the “2016 Indenture”) continued to provide that 37.4% of TSASC’s annual collection of TSRs are pledged for payment of TSASC’s debt service and operating costs (“Pledged TSRs”). The remaining 62.6% of TSASC’s annual collection of TSRs (“Unpledged TSRs”) and the related interest earnings are transferred to the TSASC Tobacco Settlement Trust (the “Trust”), as owner of the Residual Certificate. The City is the beneficial owner of the Trust and the funds received by the Trust, net of the Trust’s expenses and interest earnings, are transferred to the City. On December 9, 2024, TSASC entered into a Security Agreement with the Indenture Trustee (the “Security Agreement”), pursuant to which TSASC pledged to the Indenture Trustee, and granted thereto a lien on and security interest in, TSASC’s right, title and interest in the Unpledged TSRs. The Security Agreement stipulates that Unpledged TSRs are to be used, to the extent needed, to cure shortfalls on debt service payments for TSASC’s outstanding bonds if Pledged TSRs and liquidity reserves are insufficient to make such payments, beginning with the June 1, 2025, payment and through, at the latest, the June 1, 2028, payment. The Security Agreement and such pledge may be terminated earlier by TSASC upon ninety days’ notice to the Indenture Trustee.

The 2016 Indenture provides for the redemption of the exchanged bonds, through the application of excess revenues, and fixed maturity principal payments on all other refunding bonds.

TSASC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which TSASC pays a management fee, rent, and overhead based on its allocated share of personnel and overhead costs.

TSASC, INC.

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

TSASC'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, which are recognized when due.

TSASC uses two governmental funds for reporting its activities: a debt service fund ("DSF") and a general fund ("GF"). The DSF is used to account for the accumulation of resources for payment of principal and interest on debt and the GF is used to account for all financial resources not accounted for in the DSF, which are TSASC's unpledged TSRs due to the City and administrative and operating expenditures. Fund balances are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned in accordance with GASB standards.

The Board of Directors of TSASC (the "Board") constitutes TSASC'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 which are constrained for use for a specific purpose, based on the direction of any officer of TSASC who is duly authorized under TSASC's bond indenture to direct the movement of such funds, are accounted for and reported as assigned for such purpose 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 TSASC'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 TSASC's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

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

TSASC records TSRs receivable at June 30th. The TSRs receivable is expected to be received the following April of each year and is based on an estimate of cigarette sales for the six-month period from January 1 to June 30. As it is not expected to be received within two months of the fiscal year end, the unavailable revenue related to the TSRs receivable is deferred in the governmental funds financial statements and reported as deferred inflows of resources. Per the 2016 Indenture, 62.6% of TSRs receivable is due to the Trust. Therefore, a corresponding payable is recorded in the government-wide financial statements.

TSASC, INC.

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond premiums 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 to the face amount of the bonds payable.

Bond issuance costs are recognized as an expense or an expenditure in the period incurred in the government-wide and governmental funds financial statements, respectively, except for prepaid debt insurance costs, which are amortized over the life of the related bonds on the government-wide financial statements.

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 in the government-wide financial statements, respectively. 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 funds, costs of the bond refunding are reported as expenditures when incurred.

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

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

As a component unit of the City, TSASC 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 TSASC in future years:

- In June 2022, GASB issued Statement No. 101, *Compensated Absences*, ("GASB 101"). GASB 101 updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements for GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The adoption of GASB 101 did not have an impact on TSASC's financial statements.
- In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, ("GASB 102"). GASB 102 improves financial reporting by requiring disclosures of certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements for GASB 102 are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The implementation of GASB 102 did not have an immediate impact on TSASC's financial statements as there were no events that met the GASB 102 criteria for required reporting.

TSASC, INC.

(A Component Unit of The City of New York)

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

NOTE 3 – BONDS PAYABLE

In accordance with the 2016 Indenture, pledged revenues were used to fund operating expenses, then to fund debt service payments. Outstanding bonds are: 1) secured with TSASC’s 37.4% share of TSRs and collateral consisting of investments and monies deposited in the Pledged Accounts defined by and established pursuant to the 2016 Indenture; and 2) bear interest at a rate of 5%.

A summary of changes in outstanding bonds in fiscal years 2025 and 2024 is as follows (in thousands):

	Outstanding Principal Balance at <u>June 30, 2023</u>			Outstanding Principal Balance at <u>June 30, 2024</u>			Outstanding Principal Balance at <u>June 30, 2025</u>		
		<u>Additions</u>	<u>Deletions</u>		<u>Additions</u>	<u>Deletions</u>		<u>Additions</u>	<u>Deletions</u>
Series 2017A	\$ 475,005	\$ -	\$ (22,550)	\$ 452,455	\$ -	\$ (23,785)	\$ 428,670		
Series 2017B	463,100	-	(6,500)	456,600	-	(6,600)	450,000		
Total before premiums	938,105	-	(29,050)	909,055	-	(30,385)	878,670		
Premiums	30,227	-	(3,159)	27,068	-	(2,998)	24,070		
Total bonds payable	<u>\$ 968,332</u>	<u>\$ -</u>	<u>\$ (32,209)</u>	<u>\$ 936,123</u>	<u>\$ -</u>	<u>\$ (33,383)</u>	<u>\$ 902,740</u>		
Due within one year	<u>\$ 29,050</u>			<u>\$ 30,385</u>			<u>\$ 25,135</u>		

TSASC, INC.

(A Component Unit of The City of New York)

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024****NOTE 3 – BONDS PAYABLE (continued)**

Debt service requirements, including principal and interest as of June 30, 2025 are as follows (in thousands):

Year ended June 30,	SENIOR		SUBORDINATE		TOTAL		
	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2026	\$ 25,135	\$ 21,434	\$ -	\$ 22,500	\$ 25,135	\$ 43,934	\$ 69,069
2027	26,585	20,177	-	22,500	26,585	42,677	69,262
2028	26,830	18,848	-	22,500	26,830	41,348	68,178
2029	27,275	17,506	-	22,500	27,275	40,006	67,281
2030	28,460	16,142	-	22,500	28,460	38,642	67,102
2031 to 2035	135,490	59,812	-	112,500	135,490	172,312	307,802
2036 to 2040	129,020	26,884	-	112,500	129,020	139,384	268,404
2041 to 2045	29,875	1,494	175,000	112,500	204,875	113,994	318,869
2046 to 2050	-	-	275,000	41,250	275,000	41,250	316,250
Total	<u>\$ 428,670</u>	<u>\$ 182,297</u>	<u>\$ 450,000</u>	<u>\$ 491,250</u>	<u>\$ 878,670</u>	<u>\$ 673,547</u>	<u>\$ 1,552,217</u>

As of June 30, 2025, and 2024, TSASC's Senior Liquidity Reserve Account was funded in accordance with the 2016 Indenture requirements, as it had on deposit \$48.3 million in both years. TSASC also fully funded its senior debt service requirements as of June 30, 2025 and 2024.

As of June 30, 2025, TSASC did not receive sufficient Pledged TSRs to fully fund its scheduled June 2025 and December 2025 subordinate debt service requirements. TSASC drew the remaining balance of \$2.3 million from its Subordinate Liquidity Reserve Account and used \$12.0 million of Unpledged TSRs pursuant to the Security Agreement (see note 1 for more details) in order to meet its debt service requirement for June 2025 and December 2025.

As of June 30, 2024, TSASC did not receive sufficient Pledged TSRs to fully fund its scheduled June and December 2024 subordinate debt service requirements. TSASC drew \$8.3 million from its Subordinate Liquidity Reserve Account in order to meet its debt service requirement for June 2024 and December 2024.

TSASC has been receiving less TSRs than originally forecasted starting in fiscal year 2017. The reduced TSRs from original forecasts resulted primarily from the adjustment based on the volume of cigarettes manufactured and sold on Native American reservations pursuant the NPM Settlement Agreement. Due to the reduced payment of TSRs, TSASC has depleted the \$40.3 million from its Subordinate Liquidity Reserve Account over the period from December 2017 through June 2025 in order to make its debt service payments.

TSASC, INC.

(A Component Unit of The City of New York)

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024****NOTE 4 – CASH EQUIVALENTS**

As of June 30, 2025, and 2024, TSASC did not have any cash deposits on hand. Cash equivalents comprised money market funds. TSASC's cash equivalents are summarized as follows:

	<u>2025</u>	<u>2024</u>
	<u>(in thousands)</u>	
Restricted:		
Cash equivalents (see note 5)	\$ 76	\$ 94
Total restricted	<u>76</u>	<u>94</u>
Unrestricted:		
Cash equivalents (see note 5)	<u>636</u>	<u>660</u>
Total unrestricted	<u>636</u>	<u>660</u>
Total cash equivalents	<u>\$ 712</u>	<u>\$ 754</u>

NOTE 5 – INVESTMENTS

Investments, including cash equivalents, as of June 30, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
	<u>(in thousands)</u>	
Restricted:		
Money Market Funds	\$ 76	\$ 94
United States Treasury Bill (Maturing within one year)	70,298	-
Federal Home Loan Bank discount notes (Maturing within one year)	-	48,269
Federal National Mortgage Association discount notes (Maturing within one year)	-	24,660
Total restricted	<u>70,374</u>	<u>73,023</u>
Unrestricted:		
Money Market Funds	<u>636</u>	<u>660</u>
Total unrestricted	<u>636</u>	<u>660</u>
Total investments including cash equivalents	71,010	73,683
Less amounts reported as cash equivalents (see note 4)	<u>(712)</u>	<u>(754)</u>
Total investments	<u>\$ 70,298</u>	<u>\$ 72,929</u>

TSASC 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.

TSASC, INC.

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

NOTE 5 – INVESTMENTS (continued)

TSASC had the following recurring fair value measurements as of June 30, 2025 and 2024:

- Money Market Funds are valued based on various market and industry inputs (Level 2 inputs).
- U.S. Agency securities are valued using a matrix pricing model (Level 2 inputs).

Each account of TSASC is held pursuant to the indenture between TSASC and its Trustee and may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the indenture.

Custodial Credit Risk: Is the risk that, in the event of the failure of the custodian, TSASC 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: Investments held by TSASC on June 30, 2025, were primarily securities invested in United States Treasury Bills secured by the full faith and credit of the United States government which is rated Aa1 by Moody's, AA+ by Standard & Poor's and AA+ by Fitch.

Interest Rate Risk: TSASC's investments mature in less than one year, unless otherwise specified above. Investments with longer-term maturities are not expected to be liquidated prior to maturity, thereby limiting exposure from rising interest rates.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of TSASC's investment in a single issuer (5% or more). TSASC's investment policy places no limit on the amount TSASC may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2025, more than 5% of TSASC's investments were in U.S. Government-sponsored entities. These investments were 99% of TSASC's total investments.

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