

**TSASC, Inc.**  
Meeting of the Members  
September 26, 2024

Agenda

1. Approval of Minutes of Meeting of April 29, 2024
2. Election of Alternate Director
3. Resolution: Receipt and Acceptance of Annual Report to Members

**TSASC, Inc.**  
Meeting of the Members  
September 26, 2024

Approval of Minutes

**WHEREAS**, the Members of TSASC, Inc. have reviewed the minutes of their previous meeting held on April 29, 2024; it is therefore

**RESOLVED**, that the minutes of the meeting of the Members held on April 29, 2024 be, and they hereby are, adopted.

**DRAFT**  
**MINUTES OF THE MEETING OF**  
**THE MEMBERS OF TSASC, INC.**

April 29, 2024

The Meeting of the Members of TSASC, Inc. (the “Corporation”) was held on April 29, 2024 at approximately 3:00 p.m., conducted at 255 Greenwich Street, Room 6M4, New York, New York 10007.

The following members or their alternates were present:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Jay Olson;

Sylvia O. Hinds-Radix, Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Commissioner of Finance of the City, represented by Dara Jaffee; and

Adrienne Adams, Speaker of the City Council, represented by Hector German,

constituting a quorum of the Members. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City, who joined in-person and remotely.

The meeting was called to order by Mr. Womack.

Approval of Minutes

The first item on the agenda was the approval by the Members of the minutes of their previous meeting held on September 18, 2023. Mr. Womack noted that the minutes had been circulated for review. Upon unanimous vote, the following resolution was approved:

**WHEREAS**, the Members of TSASC, Inc. have reviewed the minutes of their previous meeting held on September 18, 2023; it is therefore

**RESOLVED**, that the minutes of the meeting of the Members held on September 18, 2023 be, and they hereby are, adopted.

Election of Alternate Director

The second and final item on the agenda was the election of an alternate director. Mr. Womack explained that each membership class, by proxy, is entitled to elect an alternate director to represent them at Committee and Board of Director meetings. Thus, Mr. Olson, as the proxy holder for the Comptroller of the City, was entitled to elect himself as an alternate director. The Membership Class connected to the election voted, and upon such vote, the following resolution to elect the alternate director was duly approved:

**WHEREAS**, TSASC, Inc. (the “Corporation”) is a not-for-profit local development corporation incorporated under the New York Not-For-Profit Corporation Law (the “N-PCL”);

**WHEREAS**, Section 703(d) of the N-PCL provides that where directors of not-for-profit corporations are elected by membership sections, such sections may also elect alternate directors; and

**WHEREAS**, the Membership Class consisting of the Comptroller of the City of New York (the “City”) wishes to elect an Alternate Director to attend meetings of the Corporation and act on his behalf at said meetings; it is therefore

**RESOLVED**, that the Membership Class consisting of the Comptroller of the City hereby elects Jay Olson to act in his place as alternate director at meetings of the Corporation.

Adjournment

There being no further business to come before the Members, upon unanimous vote, the meeting was adjourned.

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SECRETARY

**TSASC, Inc.**  
Meeting of the Members  
September 26, 2024

Election of Alternate Director

**WHEREAS**, TSASC, Inc. (the “Corporation”) is a not-for-profit local development corporation incorporated under the New York Not-For-Profit Corporation Law (the “N-PCL”);

**WHEREAS**, Section 703(d) of the N-PCL provides that where directors of not-for-profit corporations are elected by membership sections, such sections may also elect alternate directors;

**WHEREAS**, the Membership Classes consisting of the Speaker of the New York City Council, wishes to elect an Alternate Director to attend meetings of the Corporation and act on her behalf at said meetings; and

**WHEREAS**, the Membership Class consisting of the Comptroller of the City of New York wishes to elect an Alternate Director to attend meetings of the Corporation and act on his behalf at said meetings; it is therefore

**RESOLVED**, that the Membership Classes consisting of the Speaker of the New York City Council, hereby elects Emre Edev to act as an alternate director on her behalf at meetings of the Corporation; and it is

**FURTHER RESOLVED**, that the Membership Class consisting of the Comptroller of the City of New York hereby elects Michael Stern to act in his place as alternate director at meetings of the Corporation.

**TSASC, Inc.**  
Meeting of the Members  
September 26, 2024

Annual Report Pursuant to Section 519 of the Not-for-Profit Corporation Law

**WHEREAS**, Section 519 of the New York Not-For-Profit Corporation Law (the “NPCL”) requires that the Board of Directors of not-for-profit corporations present an annual report relating to the financial conditions of such corporations to the members of such corporations at their annual meeting;

**WHEREAS**, the Corporation has prepared an annual report in compliance with Section 519 of the NPCL (the “Annual Report”) attached heretofore as Schedule I; and

**WHEREAS**, the Board of Directors has verified the information in the Annual Report as attached heretofore and authorized the presentation of such report to the members of the Corporation; it is therefore

**RESOLVED**, that the members of the Corporation do hereby receive and review the Annual Report as attached heretofore; and it is

**FURTHER RESOLVED**, that the Annual Report be entered in the minutes of this Annual Meeting of the Members.

## SCHEDULE I

### ANNUAL REPORT OF THE BOARD OF DIRECTORS OF TSASC, INC.

For the Fiscal Year Ended June 30, 2024 Under Section 519 of  
the New York State Not-For-Profit Corporation Law

**To:** The Members of TSASC, Inc.

**From:** The Board of Directors of TSASC, Inc.

The Board of Directors respectfully submits for your information the following report relating to TSASC, Inc. for the twelve-month fiscal period ending June 30, 2024:

1. The assets and liabilities, including trust funds (listed separately), of the Corporation as of the end of said fiscal period may be found on page 13 of the attached audited financial statements.
2. The principal changes in the assets and liabilities, including trust funds, of the Corporation during said fiscal period may be found on page 6 of the attached audited financial statements.
3. The revenues of the Corporation, both unrestricted and restricted to particular purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
4. The expenses of the Corporation, for both general and restricted purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
5. Concerning the membership of the Corporation:
  - (a) The number of members as of June 30, 2024 is 5
  - (b) The number of members remained the same during said fiscal period ended June 30, 2024
  - (c) The names and places of residence of the current members may be found in the books of the Corporation, which are kept at 255 Greenwich Street, 7th Floor, New York, NY 10007.

This report has been prepared pursuant to Section 519 of the New York State  
Not-for-Profit Corporation Law

Dated: September 26, 2024

New York, New York

**TSASC, Inc.**  
Audit Committee Meeting  
September 26, 2024

Agenda

1. Resolution: Approval of Minutes of Meeting of April 29, 2024
2. Presentation by management and independent auditors regarding the audited annual financial statements of the Corporation
3. Resolution: Recommend to the Board of Directors the acceptance of the independent auditors' report on the audited financial statements of the Corporation for the fiscal years ended June 30, 2024 and June 30, 2023, and the issuance of such financial statements
4. Resolution: Review and Approval of the Audit Committee Charter
5. Review of the Audit Committee Schedule of Dates



**TSASC, Inc.**  
Audit Committee Meeting  
September 26, 2024

Approval of Minutes

**WHEREAS**, the Audit Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Audit Committee held on April 29, 2024 it is therefore

**RESOLVED**, that the minutes of the Audit Committee meeting of April 29, 2024 be, and they hereby are, approved.

**DRAFT**  
**MINUTES OF THE MEETING OF**  
**THE AUDIT COMMITTEE OF TSASC, INC.**

April 29, 2024

A meeting of the Audit Committee (the “Committee”) of TSASC, Inc. (the “Corporation”) was held on April 29, 2024 at approximately 3:02 p.m., conducted at 255 Greenwich Street, Room 6M4, New York, New York 10007.

The following members of the Committee or their alternates were present:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Jay Olson;

Sylvia O. Hinds-Radix, Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Commissioner of Finance of the City, represented by Dara Jaffee;

and

Adrienne Adams, Speaker of the City Council, represented by Hector German, constituting a quorum of the Committee. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City, who joined in-person and remotely.

The meeting was called to order by Mr. Olson, the Chairperson of the Committee.

Approval of Minutes

The first item on the agenda was the approval of the minutes of the prior meeting of the Committee held on September 18, 2023. Mr. Olson noted that the minutes had been circulated for the Committee’s review. There was no discussion and the following resolution was approved upon unanimous vote:

**WHEREAS**, the Audit Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Audit Committee held on September 18, 2023; it is therefore

**RESOLVED**, that the minutes of the Audit Committee meeting of September 18, 2023 be, and they hereby are, approved.

Self-Evaluation and Review of Annual Report of the Audit Committee

The second item on the agenda was the self-evaluation of the Audit Committee and the review of the Annual Report of the Committee, a copy of which was provided to the Committee members in advance of the meeting. Mr. Olson noted that the Committee is required to conduct an annual self-evaluation and provide the results of that evaluation to the Board of Directors. He explained that the report outlines the Committee's actions during calendar year 2023 and the resolution states that the Committee believes that it is functioning in a satisfactory manner and approves presenting the results of this self-evaluation to the Board of Directors. There was no further discussion and, upon unanimous vote, the following resolution was approved:

**WHEREAS**, Section III(k) of the Audit Committee Charter and Section 6.3 of Directive 22 of the City of New York Office of the Comptroller require the Audit Committee to issue an annual report to be prepared no later than October 30 of each year, which details the activities and decisions of the Audit Committee for the prior calendar year;

**WHEREAS**, the Audit Committee has reviewed the Annual Report of the Audit Committee, as attached hereto and finds it to be reasonable;

**WHEREAS**, Section III(j) of the Audit Committee Charter requires the Audit Committee to conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the Audit Committee Charter; and

**WHEREAS**, the Audit Committee finds its performance to be satisfactory, effective, and in compliance with the Audit Committee Charter; it is therefore

**RESOLVED**, that the Annual Report<sup>1</sup> of the Audit Committee is hereby approved and shall be presented to the Board of Directors of TSASC, Inc., copies of which shall be filed with the minutes of the Audit Committee and submitted to the Bureau of Accountancy of the Office of

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<sup>1</sup> Filed with the meeting minutes.

the Comptroller.

#### Annual Review of Internal Controls

The third item on the agenda was the annual review of the Corporation's Internal Controls Manual. Mr. Olson explained that changes were proposed to the Internal Controls Manual, which changes had been circulated to the Committee. He noted that the Corporation's Comptroller, Raymond Lee was present to answer any questions. Mr. Olson noted that this was a review item only, and no vote was taken.

#### Presentation of Audit Plan by Independent Auditors and Discussion of New Accounting and Auditing Standards

The fourth and final item on the agenda was a presentation by the Corporation's independent auditor, Mayer Hoffman, P.C. ("Mayer Hoffman"). Mr. Olson introduced Philip Marciano of Mayer Hoffman to lead the presentation. Mr. Marciano then referred to the firm's plan for the audit of the financial statements for the fiscal year 2024, which had been distributed to the Committee members in advance of the meeting. He reviewed and discussed the contents of the presentation.

#### Adjournment

There being no further business to come before the Committee, upon unanimous vote, the meeting was duly adjourned.

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SECRETARY

**TSASC, Inc.**  
Audit Committee Meeting  
September 26, 2024

Financial Statements

**WHEREAS**, the Audit Committee of TSASC, Inc. (the “Corporation”) has met with the independent auditors of the Corporation and has reviewed the independent auditors’ report on the audited financial statements of the Corporation for the fiscal years ended June 30, 2024 and June 30, 2023 and such financial statements, as submitted to the Committee; and

**WHEREAS**, the Audit Committee believes the independent auditors’ report and the financial statements are reasonable and appropriate; it is therefore

**RESOLVED**, that the Audit Committee recommends to the Board the acceptance of the independent auditors’ report and the authorization of the release of the audited financial statements of the Corporation for the fiscal years ended June 30, 2024 and June 30, 2023; provided that both the independent auditors’ report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller or Deputy Comptroller of the Corporation.

**TSASC, Inc.**  
Audit Committee Meeting  
September 26, 2024

Review and Approval of the Audit Committee Charter

**WHEREAS**, the Board of Directors (the “Board”) of TSASC, Inc. (the “Corporation”) originally adopted an Audit Committee Charter on October 4, 2007 and has subsequently amended it;

**WHEREAS**, pursuant to the Audit Committee Charter, Section III(s), the Audit Committee of the Corporation is required annually to review the Audit Committee Charter, reassess its adequacy, and recommend any proposed changes to the Governance Committee of the Corporation; and

**WHEREAS**, no changes to the Audit Committee Charter are proposed; it is therefore

**RESOLVED**, that the Audit Committee hereby approves the Audit Committee Charter as attached.

# **TSASC, Inc.**

## **Audit Committee Charter**

This Audit Committee Charter was adopted by the Board of Directors (the “Board”) of the TSASC, Inc. (the “Corporation”) on October 4, 2007 and amended on April 29, 2008, September 25, 2009, and May 2, 2011.

### **I. Purpose**

The purpose of the Audit Committee (the “Committee”) is to review current best practices with respect to the management of funds, financial reporting, audit processes, and internal control, and to oversee the implementation of such practices.

### **II. Committee Membership**

- a. The Audit Committee shall be comprised of all Directors.
- b. The members shall serve until their resignation, retirement or until their successor shall be appointed.
- c. The Board shall select a Chairperson from among the Committee’s members.

### **III. Committee Powers and Responsibility**

The Committee, to the extent it deems necessary or appropriate, shall:

- a. Recommend to the Board the appointment and retention of the Corporation’s independent auditors, including the terms of engagement. The Corporation’s independent auditors shall be prohibited from providing non-audit services unless they have received previous written approval from the Committee. Non-audit services include tasks that are properly the responsibility of management and directly support the Corporation’s operations, such as bookkeeping or other services related to the preparation of entries into accounting records or financial statements of the Corporation, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, internal control procedure design and implementation, and other tasks that may involve performing management functions or making management decisions.
- b. Annually review the Corporation’s independent auditors’ audit plan.
- c. Evaluate and oversee the Corporation’s independent auditors.

- d. Review the Corporation's audited financial statements and auditors' reports and when appropriate, recommend to the Board the acceptance and issuance of the Corporation's audited financial statements and auditors' reports.
- e. Review auditors' communications and, if necessary, present to the Board.
- f. Review the management letter and the Corporation's formal written response to the management letter, which outlines corrective actions taken with respect to comments contained in the management letter.
- g. Review complaints and concerns regarding accounting, internal controls or auditing matters.
- h. Recommend to the Board a policy on internal controls, oversee its implementation and review such policy annually.
- i. Review annual Agency Financial Integrity Compliance Statement to be sent to the Comptroller of the City of New York each year, which includes a self-assessment, report on and attestation to the adequacy of the Corporation's internal controls.
- j. Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with this charter and present such evaluation to the Board.
- k. At least annually report its activities and findings to the Board, including an annual report to be prepared no later than October 30. This annual report details the activities and decisions of the Committee for the prior calendar year and is sent to the Comptroller of the City of New York.
- l. Review significant accounting and reporting issues and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- m. Meet with the independent auditors to discuss any significant issues that may have surfaced during the course of the audit.
- n. Conduct or authorize investigations into any matters within its scope of responsibility.
- o. Seek any information it requires from Corporation employees and employees of other corporations or public authorities who provide services to the Corporation, all of whom should be directed by the Board to cooperate with Committee requests.
- p. Meet with Corporation staff, independent auditors and/or outside counsel, as necessary.
- q. Upon the affirmative vote of at least three Committee members, enter into contracts with legal counsel or financial experts, subject to the Corporation's procurement guidelines and approval by the Board. The name of any financial expert retained by the Committee shall be disclosed in the annual report of the Corporation. Any such financial expert should have (1) an understanding of generally accepted accounting principals and financial statements; (2) experience in preparing or auditing financial statements; (3) experience in applying such principles in connection with the accounting for estimates, accruals and reserves; (4) experience with



- internal accounting controls; and (5) an understanding of audit committee functions.
- r. Obtain any information and training needed to enhance the Committee members' understanding of the role of the independent auditors, the risk of management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
  - s. Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Governance Committee.
  - t. Make such recommendations to the Board related to internal controls, preparation of the annual financial statements, or the independent audit of the Corporation as the Committee deems appropriate.
  - u. Develop a schedule of dates, which shall be reviewed annually, by which the requirements of this Charter shall be carried out.

#### **IV. Committee Meetings**

The Committee will meet as often as it deems necessary or appropriate, but no less than twice a year, with at least one meeting each year with the Corporation's independent auditors to review and discuss the independent auditors' audit plan and one meeting with the Corporation's independent auditors to review the audited financial statements and management letter of the Corporation. Meetings may be called at any time by the Chairperson of the Committee and shall be called by the Chairperson at the request of one or more members of the Committee. When meeting to discuss the financial statements of the Corporation, the Committee shall have the opportunity both to meet with the independent auditors outside the presence of the Corporation's management and to meet with the Corporation's management outside the presence of the independent auditors. Notice of meetings shall be given in the same manner as notices of Board meetings as provided in the Corporation's By-Laws. The presence of a majority of the members of the Committee shall constitute a quorum for the transaction of business. The Committee shall act only on the affirmative vote of a majority of the members at a meeting. Minutes of Committee meetings shall be recorded and kept with the minute books of the Corporation; provided, however that no minutes shall be recorded for portions of meetings held in executive session unless action is taken in such executive session.

# **TSASC, Inc.**

## **Audit Committee Schedule**

Approved February 6, 2008

Amended February 4, 2009, February 26, 2010 and September 13, 2012

### April/May

1. Review the management letter and the formal written response to the management letter, which outlines corrective actions taken with respect to comments contained in the management letter (if applicable).
2. Evaluate the Corporation's independent auditors and, as applicable, either decide on plan of retention or procurement of new independent auditors, or authorize management to enter into an engagement letter with existing auditors.
3. Conduct an annual self-evaluation of Committee's performance, including its effectiveness and compliance with its charter and present such evaluation to the Board.
4. At least annually report the Committee's activities and findings to the Board, including an Annual Report to be prepared no later than October 30 of each year, which details the activities and decisions of the Committee for the prior calendar year.
5. Recommend to the Board a policy on internal controls, oversee its implementation and review such policy annually.
6. Review significant accounting and reporting issues and recent professional and regulatory pronouncements, and understand their impact on the financial statements (to be done by presentation of the auditors).
7. If applicable, recommend to the Board the appointment and retention of independent auditors, including terms of engagement.
8. Review annual Agency Financial Integrity Compliance Statement, sent to the Comptroller of the City of New York each year.
9. Review audit plan.

September/October

1. Review the Corporation's audited financial statements and auditors' reports and, when appropriate, recommend to the Board the acceptance of the auditor's report and issuance of the Corporation's audited financial statements.
2. Review auditors' communications and, if necessary, present to the Board.
3. Meet with the independent audit firm to discuss any significant issues that may have surfaced during the course of the audit.
4. Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board.
5. Annually review this schedule of dates, by which the requirements of the Charter shall be carried out

**TSASC, Inc.**  
**Governance Committee Meeting**  
**September 26, 2024**

Agenda

1. Resolution: Approval of Minutes of Meeting of April 29, 2024
2. Resolution: Self-evaluation and discussion of presentation to Board of Directors
3. Review of compensation and benefits

**TSASC, Inc.**  
Governance Committee Meeting  
September 26, 2024

Approval of Minutes

**WHEREAS**, the Governance Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Governance Committee held on April 29, 2024; it is therefore

**RESOLVED**, that the minutes of the Governance Committee meeting of April 29, 2024, are hereby approved.

**DRAFT**  
**MINUTES OF THE MEETING OF THE**  
**GOVERNANCE COMMITTEE OF TSASC, INC.**

April 29, 2024

A meeting of the Governance Committee (the “Committee”) of TSASC, Inc. (the “Corporation”) was held on April 29, 2024 at approximately 3:14 p.m., conducted at 255 Greenwich Street, Room 6M4, New York, New York 10007.

The following members of the Committee or their alternates were present:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Jay Olson;

Sylvia O. Hinds-Radix, Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Commissioner of Finance of the City, represented by Dara Jaffee; and

Adrienne Adams, Speaker of the City Council, represented by Hector German,

constituting a quorum of the Committee. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City, who joined in-person and remotely.

The meeting was called to order by Mr. Rodriguez, Chairperson of the Committee.

Approval of Minutes

The first item on the agenda was the approval of the minutes of the prior meeting of the Committee held on September 18, 2023. The minutes were circulated for the Committee’s review. There was no discussion and, upon unanimous vote, the following resolution was approved:

**WHEREAS**, the Governance Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Governance Committee held on September 18, 2023; it is therefore

**RESOLVED**, that the minutes of the Governance Committee meeting of September 18, 2023, are hereby approved.

Review and Approval of Policy on the Procurement of Goods and Services

The second and final item on the agenda was the review and approval of the Corporation's Policy on the Procurement of Goods and Services. Mr. Rodriguez noted that the Committee is required to periodically review the Corporation's Policy on the Procurement of Goods and Services, and that no changes were proposed to the Policy at this time. There being no discussion, upon unanimous vote, the following resolution was approved:

**WHEREAS**, pursuant to Section 2824(e) of the Public Authorities Law of the State of New York, TSASC, Inc. (the "Corporation") is required to establish a policy on the procurement of goods and services and to periodically review the policy;

**WHEREAS**, the Corporation adopted a Policy on the Procurement of Goods and Services (the "Policy") on July 31, 2006 and amended it on April 24, 2009, September 22, 2010, September 11, 2013 and April 27, 2018; and

**WHEREAS**, the Governance Committee has reviewed the Policy as attached hereto and finds it to be reasonable and prudent; it is therefore

**RESOLVED**, that the Governance Committee hereby approves the Policy<sup>1</sup>, without further changes, as attached hereto.

Adjournment

There being no further business to come before the Committee, upon unanimous vote, the meeting was duly adjourned.

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<sup>1</sup> Filed with the meeting minutes.

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SECRETARY



**TSASC, Inc.**  
Governance Committee Meeting  
September 26, 2024

Annual Self-Evaluation of the Governance Committee

**WHEREAS**, Section III(g) of the Governance Committee Charter requires the Governance Committee to conduct an annual self-evaluation of its functions; and

**WHEREAS**, the Governance Committee finds its functioning and performance to be satisfactory, effective, and in compliance with the Governance Committee Charter; it is therefore

**RESOLVED**, that the Governance Committee finds its functioning to be satisfactory and the Chair of the Governance Committee shall present the Committee's findings to the Board of Directors of TSASC, Inc.

## **TSASC, Inc.**

### **Report of the Governance Committee**

September 26, 2024

During fiscal year 2024, the Governance Committee of TSASC, Inc. (the “Corporation”) met twice. The Governance Committee’s actions at this meeting were as follows:

- On September 18, 2023
  - Conducted a self-evaluation of the Committee’s functions;
  - Approved an annual report of the Committee’s findings for presentation to the Board of Directors; and
  - Reviewed the amounts that the Corporation reimburses to other entities for personal services provided to the Corporation.
  
- On April 29, 2024
  - Reviewed the Corporation’s Policy on the Procurement of Goods and Services.

**TSASC, Inc.**  
Governance Committee Meeting  
September 26, 2024

Compensation and Benefits

The Corporation has no employees. Operations of the Corporation are carried out by staff of both the New York City Municipal Water Finance Authority (“NYW”) and the Office of Management and Budget of the City of New York (“OMB”). In fiscal year 2024, the Corporation reimbursed NYW and OMB an aggregate of \$241,707 which includes \$165,388 in salary and \$76,319 in fringe benefits, representing work performed by 16 employees of either OMB or NYW. Such reimbursement is derived from a pro rata allocation of each employee's compensation based on the time spent by such employee on work of the Corporation.

**TSASC, Inc.**  
Board of Directors Meeting  
September 26, 2024

Agenda

1. Approval of Minutes of Meeting of April 29, 2024
2. Resolution: Acceptance of the independent auditors' report on the audited financial statements for the fiscal years ended June 30, 2024 and June 30, 2023 and authorization to release such financial statement
3. Resolution: Authorization of the Annual Report for Presentation to the Members
4. Resolution: Ratification of Bond Counsel Agreement
5. Resolution: Approval of Investment Guidelines
6. Resolution: Approval of Investment Report
7. Presentation by Governance Committee Chair

**TSASC, Inc.**  
Board of Directors Meeting  
September 26, 2024

Approval of Minutes

**WHEREAS**, the Board of Directors of TSASC, Inc. has reviewed the minutes of its meeting held on April 29, 2024; it is therefore

**RESOLVED**, that the minutes of the meeting of the Board of Directors held on April 29, 2024 be, and they hereby are, adopted.

**DRAFT**

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS  
OF TSASC, INC.**

April 29, 2024

A meeting of the Board of Directors (the “Board”) of TSASC, Inc. (the “Corporation”) was held on April 29, 2024 at approximately 3:17 p.m., conducted at 255 Greenwich Street, Room 6M4, New York, New York 10007.

The following Board members attended, represented by their designees:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Jay Olson;

Sylvia O. Hinds-Radix, Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Commissioner of Finance of the City, represented by Dara Jaffee;

and

Adrienne Adams, Speaker of City Council, represented by Hector German,

constituting a quorum of the Board. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City, who joined in-person and remotely.

The meeting was called to order by Mr. Womack, Chairperson of the Board.

Approval of Minutes

The first item on the agenda was the approval of the minutes of the prior meeting of the Board held on September 18, 2023. The minutes were circulated for the Board’s review. There was no discussion and, upon unanimous vote, the following resolution was approved:

**WHEREAS**, the Board of Directors of TSASC, Inc. has reviewed the minutes of its meeting held on September 18, 2023; it is therefore

**RESOLVED**, that the minutes of the meeting of the Board of Directors held on September 18, 2023 be, and they hereby are, adopted.

Approval of Budget

The second item on the agenda was the approval of the Corporation’s budget and financial plan. Mr. Womack stated that pursuant to the Public Authorities Law, the Corporation is required to submit a budget report and four year financial plan. He explained that the budget contains estimated receipts and expenditures for the current and next fiscal year, and the actual receipts and expenditures for the last completed fiscal year. There was a brief discussion and, upon unanimous vote, the following resolution was adopted:

**WHEREAS**, TSASC, Inc. (the “Corporation”), pursuant to Section 2801(2) of the Public Authorities Law (the “PAL”), is required to submit to the Mayor, Comptroller, Speaker of the City Council and the Authorities Budget Office, at least sixty days before the commencement of its fiscal year, budget information on operations and capital construction setting forth the estimated receipts and expenditures for the next fiscal year and the current fiscal year, and the actual receipts and expenditures for the last completed fiscal year;

**WHEREAS**, the Corporation is also required, pursuant to the PAL, Section 2800(2)(a)(14) to submit to the Mayor, Comptroller, Speaker of the City Council and the Authorities Budget Office, at a minimum a four-year financial plan, including (i) a current and projected capital budget, and (ii) an operating budget report, including an actual versus estimated budget, with an analysis and measurement of financial and operating performance; and

**WHEREAS**, the Board of Directors of the Corporation has reviewed the budget information and financial plan attached hereto and found it to be satisfactory; it is therefore

**RESOLVED**, that the Board of Directors of the Corporation approves the budget information and financial plan as attached hereto<sup>1</sup>, provided that the Corporation’s Comptroller may make non-material changes to the budget and financial plan prior to its submission.

Discussion of Pending EMMA Filing

The third item on the agenda was a discussion of the Corporation’s planned EMMA filing. Mr. Womack explained that, after receipt of the April 2024 Tobacco Settlement Revenue

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<sup>1</sup> Filed with the meeting minutes.

distribution, and confirmation from the New York State Attorney General’s office that the payment is final, the Corporation plans to file an EMMA notice regarding the payment. Mr. Womack noted that TSASC has not yet received this confirmation, but will draft and file the EMMA notice when it does. Further, he noted that the Corporation will provide the EMMA notice to the Board via email. The EMMA notice does not require Board review or approval. Mr. Womack noted that this was a review item only, and no vote was taken.

#### Approval of Procurement of Directors & Officer’s Insurance

The fourth item on the agenda was the review and approval of the Corporation’s procurement of Directors and Officer’s Insurance. Mr. Womack explain that the proposed resolution would approve the procurement of D&O liability policies from several insurance companies through the Corporation’s broker, USI, providing \$50 million of coverage for the period from June 25, 2024 through June 24, 2025 for directors, members, and officers of the Corporation. Mr. Womack explained that the Corporation’s broker has recommended the Corporation build in a large cushion due to the current volatility in the insurance market. There being no further discussion, upon unanimous vote, the following resolution was adopted:

**WHEREAS**, despite their diligence and good faith, directors and officers of TSASC, Inc. (the “Corporation”) may be subject to potentially large personal financial liability in connection with the Federal securities laws or otherwise arising from their service to the Corporation;

**WHEREAS**, Article VI of the Bylaws of the Corporation provides that the Corporation shall indemnify each member, director and officer, to the fullest extent permitted by law; and

**WHEREAS**, Directors’ and Officers’ Liability Insurance is a prudent supplement to such indemnification; it is therefore

**RESOLVED**, that the Board of Directors of the Corporation hereby approves the procurement of Directors’ and Officers’ Liability Insurance policies from American International Group (“AIG”), Zurich American Insurance Company (“Zurich”), Liberty Mutual Insurance Company (“Liberty Mutual”), Aspen Insurance (“Aspen” and together with AIG, Zurich, Liberty Mutual, the “Insurers”) or similarly rated insurers, through USI Insurance Services LLC as broker, providing \$50,000,000 of coverage beginning June 25, 2024 for a period up to June 24, 2025



provided that the annual premium payable by the Corporation to the Insurers will not exceed \$400,000, and said policies shall contain such other terms and conditions not inconsistent with the foregoing which President, Vice President, Assistant Secretary or Deputy Treasurer deems desirable or appropriate and that the President, Vice President, Assistant Secretary or Deputy Treasurer shall be authorized to procure such insurance coverage.

#### Approval of Bond Counsel Agreement

The fifth item on the agenda was the approval of the resolution that would authorize the Corporation to enter into a new agreement with its current bond counsel, Orrick, Herrington & Sutcliffe, LLP (“Orrick”). The Board previously authorized an agreement with Orrick to serve as bond counsel. Mr. Womack noted that the current agreement expires August 31, 2024. Further, he explained that the proposed resolution would approve an agreement for the rates listed in the proposed resolution as it would ensure there is no lapse in service. There being no further discussion, upon unanimous vote, the following resolution was adopted:

**WHEREAS**, TSASC, Inc. (the “Corporation”) previously entered into an agreement with Orrick, Herrington & Sutcliffe, LLP (“Orrick”) to provide bond counsel services to the Corporation for a period ending June 30, 2022 and subsequently extended that agreement through August 31, 2024; and

**WHEREAS**, such agreement with Orrick provides for fees in an amount not to exceed \$20,000 per fiscal year; and

**WHEREAS**, the Corporation anticipates requiring additional bond counsel services which shall exceed the fees authorized in the Corporation’s current agreement with Orrick; and

**WHEREAS**, to ensure there is no lapse in bond counsel services required in the preparation for and execution of any future transactions, the Corporation seeks to enter into a new agreement with Orrick for bond counsel services for the rates listed in Schedule I below; and

**WHEREAS**, the Corporation’s Procurement Guidelines Section II(5)(ii) and (iii) allows the Corporation to award contracts on a non-competitive basis if the firm selected provides uniquely required services and if the award represents a continuation of existing services from a previous supplier, which is desirable for purposes of continuity or compatibility; it is therefore

**RESOLVED**, that the Board of Directors of the Corporation hereby approves the Corporation entering into an agreement with Orrick to serve as bond counsel to the Corporation for rates listed in Schedule I below, provided that such agreement contains such other terms and conditions that the Corporation’s President, Treasurer or Secretary deems prudent and reasonable,

and further provided that, for transactions not listed in Schedule I(c) below the Corporation may choose to utilize the hourly rates set forth in Section I(b) below.

### Schedule I

#### Bond Counsel– Orrick

(a) Hourly rates for services provided until such time as the \$20,000 fees authorized in the Corporation’s current agreement with Orrick are exhausted:

Title	Hourly Rate
Partner	\$854.57
Counsel	\$780.82
Associate	\$639.90
Paralegal	\$280.32

(b) Hourly rates for services provided following the exhaustion of the \$20,000 fees available in the Corporation’s current agreement with Orrick, for an amount not to exceed \$80,000:

Title	Hourly Rate
Partner	\$985
Counsel	\$900
Associate	\$750
Paralegal	\$325

(c) Flat fees for specific transactions:

Transaction Description	Flat Rate
Transactions under the current TSASC Indenture, which do not involve significant amendments to the Indenture	\$350,000
Transactions under the current TSASC Indenture that include significant amendments to the Indenture	\$475,000
Transactions under a new appropriation-backed credit	\$535,000
Tender or exchange offer (additional fee)	\$125,000

#### Approval of Financial Advisor Contract

The sixth item on the agenda was the approval of the Financial Advisor contract. Mr. Womack explained that, following a competitive request for proposals process, issued in

conjunction with the City of New York and other bond financing entities, the Corporation selected Acacia Financial Group to serve as financial advisor to the Corporation. Mr. Womack further explained that the financial advisors will serve for a term beginning July 1, 2024 and ending June 30, 2028, with two optional one-year extensions, at the Corporation’s discretion without requiring additional Board approval. He described that the hourly fees are listed in the proposed resolution.

There being no further discussion, upon unanimous vote, the following resolution was adopted:

**WHEREAS**, TSASC, Inc. (the “Corporation”), in conjunction with the City of New York related bond financing entities, has completed a procurement process including a competitive request for proposals for a Financial Advisor; and

**WHEREAS**, as a result of such procurement process, the Officers of the Corporation have recommended the retention of Acacia Financial Group, Inc. (“Acacia”) to serve as the Financial Advisor to the Corporation; it is therefore

**RESOLVED**, that the President, Treasurer or Secretary of the Corporation is hereby authorized and directed to enter into agreements in the name of the Corporation whereby Acacia serve as the Financial Advisor to the Corporation, upon such terms as the President, Treasurer or Secretary deems reasonable and appropriate for the fees listed in Schedule I, provided, however, that such agreement shall be effective from July 1, 2024 through June 30, 2028 or until its earlier termination as provided therein, and may be extended at the option of the Corporation without additional action from the Board of Directors of the Corporation required for two additional one-year periods.

**Schedule I**

**Financial Advisor: Acacia Financial Group**

<b>Position</b>	<b>Hourly Rate</b>
Co-President	\$425
Managing Director	\$400
Senior Vice President	\$375
Vice President	\$325
Assistant Vice President	\$315
Associate	\$300

Analyst	\$250
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Approval of Mission Statement and Performance Measures, and Authorization to Publish Measurement Report

The seventh item on the agenda was the approval of the Corporation’s Mission Statement and completed Measurement Report. Mr. Womack explained that pursuant to Section 2800 of Public Authorities Law, the Board previously adopted a Mission Statement and Performance Measures, which are a means for the Corporation to evaluate whether its performance and policies are consistent with its stated mission. Mr. Womack stated that changes were proposed, and the measurement report had been completed. He further noted that the proposed resolution would approve the Mission Statement and Performance Measures and authorize the Corporation to publish the completed Measurement Report. There being no further discussion, upon unanimous vote, the following resolution was adopted:

**WHEREAS**, pursuant to Section 2800 of the Public Authorities Law (the “PAL”), the Board of Directors (the “Board”) of TSASC, Inc. (the “Corporation”) previously adopted a Mission Statement on October 4, 2007 and amended it on March 2, 2011 to add Performance Measures by which the Corporation could evaluate whether its policies and performance meet the stated goals of its Mission Statement, and subsequently amended the Mission Statement and Performance Measures;

**WHEREAS**, the Corporation is required to annually review the Mission Statement and Performance Measures and to publish a Measurement Report which utilize the Performance Measures to evaluate whether the Corporation’s policies and performance meet the stated mission of the Corporation; and

**WHEREAS**, the Board has reviewed the Mission Statement and the completed Measurement Report and finds them to be reasonable and accurate; it is therefore

**RESOLVED**, that Board accepts the Corporation’s amended Mission Statement and

Performance Measures<sup>2</sup> as attached hereto and authorizes the completed Measurement Report<sup>3</sup> to be published on the Corporation's website and submitted to the Authorities Budget Office.

Presentation by Audit Committee Chair regarding Audit Committee's Annual Report and Self-Evaluation

The eighth and final item on the agenda was presentation by the Audit Committee Chair, Jay Olson. This was a review item only, and no vote was taken. Mr. Olson, Chairperson of the Audit Committee, summarized the Committee's self-evaluation report for calendar year 2023, which report lists the Committee's actions in the prior year and found that the Committee is functioning in satisfactory manner pursuant to its Charter.

Adjournment

There being no further business to come before the Board, upon unanimous vote, the meeting was duly adjourned.

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SECRETARY

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<sup>2</sup> Filed with the meeting minutes.

<sup>3</sup> Filed with the meeting minutes.

**TSASC, Inc.**  
Board of Directors Meeting  
September 26, 2024

Verification of Annual Report Pursuant to Section 519 of the Not-for-Profit Corporation Law and Authorization of Presentation to the Members

**WHEREAS**, Section 519 of the New York Not-For-Profit Corporation Law (the “N-PCL”) requires that the Board of Directors of not-for-profit corporations present an annual report relating to the financial conditions of such corporations to the members of such corporations at their annual meeting;

**WHEREAS**, in compliance with Section 519 of the N-PCL the Board of Directors of the Corporation has caused an annual report relating to the Corporation’s most recent fiscal year (the “Annual Report”) to be prepared; and

**WHEREAS**, the Board of Directors has reviewed such Annual Report, attached heretofore as Schedule I; it is therefore

**RESOLVED**, that the Board of Directors hereby approves and verifies the Annual Report as presented heretofore as Schedule I, and authorizes presentation to the Members of the Corporation; and it is

**FURTHER RESOLVED**, that Board of Directors hereby directs that the Annual Report be entered in the minutes of this meeting of the Board of Directors.

## SCHEDULE I

### ANNUAL REPORT OF THE BOARD OF DIRECTORS OF TSASC, INC.

For the Fiscal Year Ended June 30, 2024 Under Section 519 of  
the New York State Not-For-Profit Corporation Law

**To:** The Members of TSASC, Inc.

**From:** The Board of Directors of TSASC, Inc.

The Board of Directors respectfully submits for your information the following report relating to TSASC, Inc. for the twelve-month fiscal period ending June 30, 2024:

1. The assets and liabilities, including trust funds (listed separately), of the Corporation as of the end of said fiscal period may be found on page 13 of the attached audited financial statements.
2. The principal changes in the assets and liabilities, including trust funds, of the Corporation during said fiscal period may be found on page 6 of the attached audited financial statements.
3. The revenues of the Corporation, both unrestricted and restricted to particular purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
4. The expenses of the Corporation, for both general and restricted purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
5. Concerning the membership of the Corporation:
  - (a) The number of members as of June 30, 2024 is 5
  - (b) The number of members remained the same during said fiscal period ended June 30, 2024
  - (c) The names and places of residence of the current members may be found in the books of the Corporation, which are kept at 255 Greenwich Street, 7th Floor, New York, NY 10007.

This report has been prepared pursuant to Section 519 of the New York State  
Not-for-Profit Corporation Law

Dated: September 26, 2024

New York, New York

# TSASC, Inc.

Board of Directors Meeting

September 26, 2024

## Ratification of Bond Counsel Agreement

**WHEREAS**, TSASC, Inc. (the “Corporation”) previously entered into an agreement with Orrick, Herrington & Sutcliffe, LLP (“Orrick”) to provide bond counsel services to the Corporation for a period ending June 30, 2022 and subsequently extended that agreement (the “Original Agreement”);

**WHEREAS**, the Original Agreement with Orrick provided for fees in an amount not to exceed \$80,000; and

**WHEREAS**, during the term of the Original Agreement, the Corporation’s management determined that additional bond counsel services were required, which exceeded the fees authorized in the Original Agreement; and

**WHEREAS**, to ensure there was no lapse in bond counsel services required during the term of the Original Agreement, the Corporation entered into a subsequent agreement with Orrick for the fees listed in Schedule I below (the “New Agreement”) for the period beginning May 21, 2024 through August 31, 2025, and now seeks the Board of Directors’ ratification of the New Agreement; and

**WHEREAS**, the Corporation’s Procurement Guidelines Section II(5)(ii) and (iii) allows the Corporation to award contracts on a non-competitive basis if the firm selected provides uniquely required services and if the award represents a continuation of existing services from a previous supplier, which is desirable for purposes of continuity or compatibility; it is therefore

**RESOLVED**, that the Board of Directors of the Corporation hereby approves the ratification of the New Agreement with Orrick for the period beginning May 21, 2024 through August 31, 2025, for the fees listed in Schedule I.



## Schedule I

### Bond Counsel– Orrick

(a) Hourly rates, for all positions, for services provided during the term of the Agreement other than the services described in (ii) below, provided that such fees shall not exceed \$350,000 for the term of the Agreement:

Title	Hourly Rate
Partner	\$985
Counsel	\$900
Associate	\$750
Paralegal	\$325

(b) Flat fees for specific transactions:

Transaction Description	Flat Rate
Transactions under the current TSASC Indenture, which do not involve significant amendments to the Indenture	\$350,000
Transactions under the current TSASC Indenture that include significant amendments to the Indenture	\$475,000
Transactions under a new appropriation-backed credit	\$535,000
Tender or exchange offer (additional fee)	\$125,000

**TSASC, Inc.**  
Board of Directors Meeting  
September 26, 2024

Approval of Investment Guidelines

**WHEREAS**, TSASC, Inc. (the “Corporation”), adopted Investment Guidelines on October 4, 2007 to establish policies for the investment of its funds and subsequently amended the Guidelines;

**WHEREAS**, the Corporation is required annually to review its Investment Guidelines and Corporation staff has recommended no changes to the Guidelines at this time; AND

**WHEREAS**, the Board of Directors has reviewed the attached Investment Guidelines and has deemed them to be reasonable and appropriate; it is therefore

**RESOLVED**, that the Investment Guidelines, a copy of which will be filed with the Minutes of the Meeting, are hereby approved.

# TSASC, Inc.

## Investment Guidelines

Adopted October 4, 2007

Amended February 4, 2009, September 11, 2013, September 2, 2014, September 5, 2018 and September 4, 2020

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### I. Purpose

- A. Adoption. These investment guidelines (the “Guidelines”) are adopted by the Board of Directors of TSASC, Inc. (the "Corporation").
- B. Scope. These Guidelines specify the policies and procedures relating to the investment, monitoring and reporting of funds of the Corporation. For purposes of these Guidelines, funds of the Corporation are all moneys and other financial resources available for investment by the Corporation on its own behalf or on behalf of any other entity or individual. All such moneys shall be invested at all times to the fullest extent practicable, and in accordance with the requirements and restrictions set forth in these Guidelines.
- C. Review and Amendment. These Guidelines shall be reviewed and approved by the Board of Directors annually and may be amended by the Board of Directors from time to time.

### II. Permitted Obligations

- A. Investments. All investments shall be invested in Eligible Investments as defined in the Amended and Restated Indenture, dated as of December 1, 2016, amending and restating the Indenture dated as of November 1, 1999, as previously amended and restated as of January 1, 2006, by and between the Corporation and The Bank of New York, as trustee (the “Trustee”).

### III. Conditions of Investment

- A. Maturities: All investments shall mature or be redeemable at the option of the holder no later than such times as shall be necessary to provide moneys needed for payments

to be made from any fund or account in which such investments are held.

B. Diversification

1. During any calendar quarter, no more than the greater of \$15 million or 35% of the total amount of the Corporation's investments (determined at the time of investment) shall be invested in either Commercial Paper of a single issuer or Investment Agreements with a single provider.

C. Payment for Securities. Payment for investments shall be made only upon receipt of the securities purchased. In the case of book entry form securities, payment may be made only when the custodian's account at the Federal Reserve Bank is credited for the purchased securities.

D. Custodial Arrangements.

1. All securities held by any depository designated by the Corporation in bearer or book-entry form (the "Custodial Bank") are held solely as agent to the Trustee. Any securities held in registered form shall be registered in the name of the Trustee. Payment for purchases is not to be released until the purchased securities are received by the Custodial Bank.
2. The Custodial Bank will, upon instructions of the Trustee, release to the Treasurer of the Corporation all purchased securities including those subject to repurchase. This will permit the Corporation to sell such securities, if necessary.
3. Collateral securities shall not be held by an institution having a depository relationship with the Corporation.

F. Standards and Qualifications. The following are the standards for the qualifications of brokers, agents, dealers, investment advisors, investment bankers and custodians:

1. Brokers, Agents, Dealers
  - a. In Government Securities: any bank or trust company organized or licensed under the laws of any state of the United States of America or of the United States of America or any national banking association or any registered broker/dealer or government securities dealer.
  - b. In Municipal Securities: any broker, dealer or municipal securities dealer

registered with the Securities and Exchange Commission (the "SEC").

2. Investment Advisors: any bank or trust company organized under the laws of any state of the United States of America or any national banking association, and any firm or person which is registered with the SEC under the Investment Advisors Act of 1940.
3. Custodians: any bank or trust company organized under the laws of any state of the United States of America or any national banking association with capital and surplus of not less than \$50,000,000.

G. Contracts. With the exception of forward purchase and delivery agreements, the Corporation shall not be required to enter into written contracts for the purchase of investments, except when the Corporation at its discretion agrees that it is in its best interest to do so.

#### IV. Reports

A. Quarterly. The President or other Authorized Officer shall prepare and deliver to the Board of Directors once for each quarter of the Corporation's fiscal year a report setting forth a summary of new investments made during that quarter, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers, investment advisors and auditors.

B. Annually.

1. Audit. The Corporation's independent auditors shall conduct an annual audit of the Corporation's investments for each fiscal year of the Corporation, the results of which shall be made available to the Board of Directors at the time of its annual review and approval of these Guidelines.
2. Investment Report. Annually, the President or other Authorized Officer shall prepare and the Board of Directors shall review and approve an Investment Report, which shall include:
  - a. The Investment Guidelines and amendments thereto since the last report;
  - b. An explanation of the Guidelines and any amendments made since the last report;

- c. The independent audit report required by Subsection (1) above;
- d. The investment income record of the Corporation for the fiscal year; and
- e. A list of fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Corporation since the last report. The Investment Report shall be submitted to the Mayor and Comptroller of the City of New York. Copies of the annual report shall also be made available to the public upon reasonable request.

V. Annual Review

Annually, the Board shall review and approve these Investment Guidelines.

VI. Applicability

Nothing contained in these Investment Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these Investment Guidelines.

**TSASC, Inc.**  
Board of Directors Meeting  
September 26, 2024

Approval of Investment Report

**WHEREAS**, TSASC, Inc. (the “Corporation”), pursuant to the Corporation’s Investment Guidelines, is required to annually prepare and approve an Investment Report; and

**WHEREAS**, the Board has reviewed the attached Investment Report and has deemed it to be reasonable and appropriate, it is therefore

**RESOLVED**, that the Investment Report is hereby approved.

# **TSASC, Inc.**

## **Fiscal Year 2024**

### **Investment Report**

- I. Investment Guidelines (See Schedule 1)
- II. Explanation of the Investment Guidelines

TSASC, Inc. (the "Corporation") originally adopted Investment Guidelines on October 4, 2007, with subsequent amendments on February 4, 2009, September 11, 2013, September 2, 2014, September 5, 2018 and September 4, 2020. The Investment Guidelines specify the policies and procedures relating to the investment, monitoring and reporting of funds of the Corporation. For purposes of the Investment Guidelines, funds of the Corporation are all moneys and other financial resources available for investment by the Corporation on its own behalf or on behalf of any other entity or individual. All such moneys shall be invested at all times to the fullest extent practicable, and in accordance with the requirements and restrictions set forth in the Investment Guidelines.

- III. Results of the annual independent audit of the investments (See Schedule 2)
- IV. Investment Income of record of the Corporation (See Schedule 3)
- V. List of total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment services to the Corporation (See Schedule 3)



## Schedule 1

### TSASC, Inc.

#### Investment Guidelines

Adopted October 4, 2007

Amended February 4, 2009, September 11, 2013, September 2, 2014, September 5, 2018 and September 4, 2020

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#### I. Purpose

- A. Adoption. These investment guidelines (the “Guidelines”) are adopted by the Board of Directors of TSASC, Inc. (the "Corporation").
- B. Scope. These Guidelines specify the policies and procedures relating to the investment, monitoring and reporting of funds of the Corporation. For purposes of these Guidelines, funds of the Corporation are all moneys and other financial resources available for investment by the Corporation on its own behalf or on behalf of any other entity or individual. All such moneys shall be invested at all times to the fullest extent practicable, and in accordance with the requirements and restrictions set forth in these Guidelines.
- C. Review and Amendment. These Guidelines shall be reviewed and approved by the Board of Directors annually and may be amended by the Board of Directors from time to time.

#### II. Permitted Obligations

- A. Investments. All investments shall be invested in Eligible Investments as defined in the Amended and Restated Indenture, dated as of December 1, 2016, amending and restating the Indenture dated as of November 1, 1999, as previously amended and restated as of January 1, 2006, by and between the Corporation and The Bank of New York, as trustee (the “Trustee”).

#### III. Conditions of Investment

- A. Maturities: All investments shall mature or be redeemable at the option of the holder no later than such times as shall be necessary to provide moneys needed for payments to be made from any fund or account in which such investments are held.
- B. Diversification
1. During any calendar quarter, no more than the greater of \$15 million or 35% of the total amount of the Corporation's investments (determined at the time of investment) shall be invested in either Commercial Paper of a single issuer or Investment Agreements with a single provider.
- C. Payment for Securities. Payment for investments shall be made only upon receipt of the securities purchased. In the case of book entry form securities, payment may be made only when the custodian's account at the Federal Reserve Bank is credited for the purchased securities.
- D. Custodial Arrangements.
1. All securities held by any depository designated by the Corporation in bearer or book-entry form (the "Custodial Bank") are held solely as agent to the Trustee. Any securities held in registered form shall be registered in the name of the Trustee. Payment for purchases is not to be released until the purchased securities are received by the Custodial Bank.
  2. The Custodial Bank will, upon instructions of the Trustee, release to the Treasurer of the Corporation all purchased securities including those subject to repurchase. This will permit the Corporation to sell such securities, if necessary.
  3. Collateral securities shall not be held by an institution having a depository relationship with the Corporation.

- F. Standards and Qualifications. The following are the standards for the qualifications of brokers, agents, dealers, investment advisors, investment bankers and custodians:
1. Brokers, Agents, Dealers
    - a. In Government Securities: any bank or trust company organized or licensed under the laws of any state of the United States of America or of the United States of America or any national banking association or any registered broker/dealer or government securities dealer.
    - b. In Municipal Securities: any broker, dealer or municipal securities dealer registered with the Securities and Exchange Commission (the "SEC").
  2. Investment Advisors: any bank or trust company organized under the laws of any state of the United States of America or any national banking association, and any firm or person which is registered with the SEC under the Investment Advisors Act of 1940.
  3. Custodians: any bank or trust company organized under the laws of any state of the United States of America or any national banking association with capital and surplus of not less than \$50,000,000.
- G. Contracts. With the exception of forward purchase and delivery agreements, the Corporation shall not be required to enter into written contracts for the purchase of investments, except when the Corporation at its discretion agrees that it is in its best interest to do so.

#### IV. Reports

A. Quarterly. The President or other Authorized officer shall prepare and deliver to the Board of Directors once for each quarter of the Corporation's fiscal year a report setting forth a summary of new investments made during that quarter, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers, investment advisors and auditors.

B. Annually.

1. Audit. The Corporation's independent auditors shall conduct an annual audit of the Corporation's investments for each fiscal year of the Corporation, the

results of which shall be made available to the Board of Directors at the time of its annual review and approval of these Guidelines.

2. Investment Report. Annually, the President or other Authorized Officer shall prepare and the Board of Directors shall review and approve an Investment Report, which shall include:
  - a. The Investment Guidelines and amendments thereto since the last report;
  - b. An explanation of the Guidelines and any amendments made since the last report;
  - c. The independent audit report required by Subsection (1) above;
  - d. The investment income record of the Corporation for the fiscal year; and
  - e. A list of fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Corporation since the last report. The Investment Report shall be submitted to the Mayor and Comptroller of the City of New York. Copies of the annual report shall also be made available to the public upon reasonable request.

#### V. Annual Review

Annually, the Board shall review and approve these Investment Guidelines.

#### VI. Applicability

Nothing contained in these Investment Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these Investment Guidelines.

## INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and governmental funds of TSASC, Inc. ("TSASC") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise TSASC's basic financial statements, and have issued our report thereon dated September XX, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that TSASC failed to comply with TSASC's Investment Guidelines, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding TSASC's noncompliance with its Investment Guidelines, insofar as they relate to accounting matters.

This report is intended solely for the information of TSASC's Audit Committee, Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties, unless permission is granted.

September XX, 2024  
New York, NY

DRAFT - Subject to Material Change



SCHEDULE 3

**TSASC, Inc.**  
**Annual Investment Report**  
**As of and for the year ended June 30, 2024**

**Investment Income for FY 2024 (accrual basis)** \$ 4,605,767

**Investment Fees for FY 2024:**

The Bank of New York Mellon \$ 21,588

**Cash Equivalent and Investment by Funds**

<u>Fund</u>	<u>Fair Value</u>
Debt Service	\$ 14,504,708
Debt Service Reserve	58,518,937
Operating	659,725
 <b>Cash Equivalent and Investment</b>	 <b>\$ 73,683,369</b>
 <b>Total Cash Equivalents and Investments</b>	 <b>\$ 73,683,374</b>

**Cash Equivalent and Investment by Security Types**

	<u>Fair Value</u>	<u>Maturities in Years</u>	
		<u>Less than 1</u>	<u>Over 5</u>
Federal National Mortgage Association Discount Notes	\$ 24,659,956	\$ 24,659,956	\$ -
Federal Home Loan Bank Discount Notes	48,269,504	48,269,504	-
Invesco Govt Agency Instl Money Market	753,909	753,909	-
<b>Cash Equivalent and Investment</b>	<b>\$ 73,683,369</b>	<b>\$ 73,683,369</b>	<b>\$ -</b>
 <b>Total Cash Equivalents and Investments</b>	 <b>\$ 73,683,374</b>	 <b>\$ 73,683,369</b>	 <b>\$ -</b>



# TSASC, Inc.

AUDIT RESULTS FOR YEAR ENDED JUNE 30, 2024

SEPTEMBER 26, 2024



# Your Engagement Leadership Team



**John D'Amico**

Engagement Shareholder

☎ Direct: 212.710.1808

✉ Email: [John.Damico@cbiz.com](mailto:John.Damico@cbiz.com)



**Daniel McElwee**

Engagement Senior Manager

☎ Direct: 212.201.2992

✉ Email: [Daniel.McElwee@cbiz.com](mailto:Daniel.McElwee@cbiz.com)

**Other Audit Members:**

Jessy Ruiz, Senior

Asad Khan, Associate



# Agenda

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- Service Delivery Timeline
- Audit Results
- Major Estimates and Judgments
- Appendix:
  - Management's Representations
  - Draft Financial Statements
  - Draft *Government Auditing Standards* Reports
  - Draft Management Letter
  - Draft Investment Compliance Report
- Executive Session

# Service Delivery Timeline

Audit Services	2024	2023
Preliminary communications held and draft engagement letters shared	April 19, 2024	April 21, 2023
<b>Audit scope presentation to the Audit Committee</b>	April 29, 2024	April 28, 2023
Audit fieldwork to begin	August 12, 2024	August 7, 2023
Draft financials received from management	September 11, 2024	Early September 2023
<b>Review audit results with the Audit Committee</b>	September 26, 2024	September 18, 2023
Report issuance soon after approval by the Audit Committee and Board of Directors	By September 30, 2024	September 26, 2023

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# Audit Results

Matter	Conclusion
<b>Opinions on Financial Statements and Footnotes</b>	<ul style="list-style-type: none"><li>■ We have completed our evidence gathering process for us to provide reasonable assurance that the financial statements are free from material misstatement whether caused by error or fraud.</li><li>■ We are prepared to issue our auditor’s report that includes our opinions that the financial statements are fairly stated in all material respects in accordance with accounting principles generally accepted in the United States of America (“U.S.GAAP”) subject to the following open items:<ul style="list-style-type: none"><li>■ Approval by the Committee</li><li>■ Receipt of legal letter from Orrick Herrington &amp; Sutcliffe LLP</li><li>■ Receipt of the signed management representation letter</li></ul></li><li>■ There are no deviations in the proposed audit report, meaning this report is considered “clean” or “unmodified.”</li></ul>
<b>Other Matters</b>	<ul style="list-style-type: none"><li>■ No instances of fraud or illegal acts were noted.</li><li>■ No material uncertainties were noted.</li><li>■ No significant changes were required to our planned audit strategy or areas of risk of significant risk of material misstatement discussed in our planning communication.</li></ul>

# Audit Results

Matter	Conclusion
<b>Required Supplemental Information</b>	<ul style="list-style-type: none"><li>With respect to the required supplementary information (management's discussion and analysis) accompanying the basic financial statements, we have applied certain limited procedures including:<ul style="list-style-type: none"><li>Making inquiries of management about the methods of preparing the information.</li><li>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.</li><li>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.</li></ul></li></ul>

# Audit Results

Matter	Conclusion
<b>Reporting under Government Auditing Standards</b>	<ul style="list-style-type: none"><li>▪ No instances of noncompliance or other matters identified and reported.</li><li>▪ No matters relative to internal controls identified and reported from our consideration of controls over financial reporting assessed during the audit.</li></ul>
<b>Reporting on Investment Compliance</b>	<ul style="list-style-type: none"><li>▪ In connection with our audit, nothing came to our attention that caused us to believe that the Organization had not complied, in all material respects, with the terms, covenants, provisions or conditions of its Investment Guidelines insofar as they relate to financial and accounting matters.</li></ul>

# Audit Results

## Changes in Accounting Policies

- None that had an impact on the financial statements.

## Significant Unusual Transactions

- As of June 30, 2024, TSASC had not received sufficient TSRs to fully fund its scheduled December subordinate debt service payment due on December 1, 2024, and is expected to draw \$8.6 million from its reserve funds to meet its debt service requirement.

## Alternative Accounting Policies

- No alternative accounting policies were discussed with management.

**We consider management's communications with those charged with governance to be in line with best practices.**

Our responsibilities were covered in our planning meeting with the Audit Committee at the start of the audit process

# Audit Results

Matter	Conclusion
<b>Auditor Detected Adjustments and Recorded</b>	None
<b>Waived Adjustments not Recorded</b>	None
<b>Financial Statement Disclosures</b>	<p>The disclosures are neutral, consistent, and clear.</p> <p>We consider the following disclosures to be particularly sensitive:</p> <ul style="list-style-type: none"> <li>• Note 3 (Bonds Payable) – disclosure of draw downs from subordinate liquidity reserve funds to cover scheduled debt service payments.</li> </ul>
<b>Other Information in Documents Containing Audited Financial Statements</b>	<p>We are not aware of other documents that contain the audited financial statements that require work on our part. If the Organization plans to publish an annual report, or like document, we have informed management of the requirement of us performing a consistency read prior to this information being posted or published.</p>
<b>Conflict of Interest and Related Party Matters</b>	None
<b>Disagreements with Management</b>	None
<b>Management Consultations with Other Accountants</b>	None per management
<b>Auditor Consultations Outside Engagement Team</b>	None
<b>Issues Discussed Prior to Our Retention</b>	None
<b>Significant Difficulties Encountered</b>	None

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# Major Management's Estimates & Judgments

Certain aspects of accounting are more qualitative and thus require more judgment and estimation by management. The following items represent the more significant qualitative areas:

Management's Estimates & Judgments	Audit Results
<b>Tobacco Settlement Revenues ("TSRs") Receivable and Remittance Payable to the Trust (Important Judgment)</b>	<ul style="list-style-type: none"><li>▪ The TSRs are based on an estimate of cigarette sales for the six-month period from January 1 to June 30.</li><li>▪ We reviewed the calculation of TSRs receivable as of June 30, 2024, and the corresponding calculation of the TRSs payable to the Trust and found them to be reasonable.</li></ul>



# Questions and Discussion

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# Appendix

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Draft Management Representation Letter

September XX, 2024

CBIZ CPAs P.C.  
685 Third Avenue  
New York, NY 10017

This representation letter is provided in connection with your audits of the financial statements of TSASC, Inc. ("TSASC"), which comprise the respective financial position of the governmental activities and governmental funds as of June 30, 2024 and 2023, and the respective changes in financial position for the years then ended, and the related notes to the financial statements (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The representations in this letter, whether or not explicitly so indicate, are made with reference to material matters. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audits.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 7, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the required supplementary information in accordance with the applicable criteria
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all financial information required by U.S. GAAP to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, if any, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

- 9) Guarantees, whether written or oral, under which TSASC is contingently liable, if any, have been properly recorded or disclosed.
- 10) TSASC and its affiliates do not have any agreements or relationships with Kreston member or Bentleys firms serving as a professional service provider, investor, lender, director, or otherwise that may impact CBIZ CPAs' independence.

#### **Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, meeting minutes and other matters;
  - b) Additional information that you have requested from us for the purpose of the audits; and
  - c) Unrestricted access to persons at TSASC from whom you determined it necessary to obtain audit evidence.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects TSASC and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting TSASC's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of any related parties and all the related party relationships and transactions of which we are aware, if any.

#### **Government—specific**

- 19) We have made available to you all financial records and related data.
- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) TSASC has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 23) There are no violations or possible violations of laws and regulations, provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 24) TSASC is a local development corporation organized under the New York State Not-for-Profit Corporation Law and is exempt from taxation and has not conducted any activities that would jeopardize its tax-exempt status.
- 25) TSASC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed in the notes to the financial statements.
- 26) TSASC has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 27) We have followed all applicable laws and regulations in adopting, approving and amending budgets.
- 28) The financial statements properly classify all funds and activities.
- 29) Components of net position (restricted and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 30) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 31) We are responsible for making the fair value measurements and disclosures included in the financial statements in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"), including determining the fair value of investments for which a readily determinable fair value does not exist, using the inputs described in Level 2 and Level 3 of the fair value hierarchy. As part of fulfilling this responsibility, we have established an accounting and financial reporting process for determining the fair value measurements and disclosures, in accordance with the fair value techniques included in GASB 72, considered the appropriateness of valuation methods, adequately supported any significant assumptions used and ensured that the presentation and disclosure of the fair value measurements are in accordance with U.S. GAAP, including the disclosure requirements of GASB 72. We believe the assumptions and methods used by us are in accordance with the definition of fair value in GASB 72 and the disclosures adequately describe the level of the inputs used in the fair value measurement, in accordance with the fair value hierarchy in GASB 72.
- 32) We have appropriately disclosed TSASC's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
- 33) We acknowledge our responsibility for the required supplementary information ("RSI"). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

34) Management has informed us of all documents that may comprise other information that it expects to issue, including as applicable an annual report.

35) We have provided to you our evaluation of the entity's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate.

Signature: \_\_\_\_\_

Printed Name: David Womack

Title: President

Signature: \_\_\_\_\_

Printed Name: Raymond Lee

Title: Comptroller

DRAFT

# Draft Financial Statements

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**TSASC, Inc.**

**(A Component Unit of The City of New York)**

**Financial Statements  
(Together with Independent Auditors' Report)**

**June 30, 2024 and 2023**

DRAFT - Subject to Material Change



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

**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**

**JUNE 30, 2024 AND 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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.

New York, NY  
September XX, 2024

DRAFT - Subject to Material Change

## **TSASC, INC.**

(A Component Unit of The City of New York)

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023 (unaudited)**

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The following is a narrative overview and analysis of the financial activities of TSASC, Inc. ("TSASC") for the fiscal years ended June 30, 2024 and 2023. 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 62.6% of TSASC's annual collection of Tobacco Settlement Revenues ("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. During fiscal years 2024 and 2023, TSASC transferred to the Trust \$107 million and \$124 million, respectively. The 2016 Indenture also continued to provide that 37.4% of TSASC's annual collection of TSRs are pledged for the payment of TSASC's debt service and operating costs.

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, 2024 AND 2023 (unaudited) (continued)

#### FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	2024	2023	2022	Variance	
				2024/2023	2023/2022
			(in thousands)		
Revenues:					
Tobacco settlement revenue	\$ 156,917	\$ 192,085	\$ 212,096	\$ (35,168)	\$ (20,011)
Investment earnings (loss)	4,606	3,327	(93)	1,279	3,420
Other	-	-	3	-	(3)
Total revenues	<u>161,523</u>	<u>195,412</u>	<u>212,006</u>	<u>(33,889)</u>	<u>(16,594)</u>
Expenses:					
Transfer to the Trust	98,604	120,425	132,796	(21,821)	(12,371)
Bond interest	44,397	45,639	46,831	(1,242)	(1,192)
General and administrative	634	512	537	122	(25)
Total expenses	<u>143,635</u>	<u>166,576</u>	<u>180,164</u>	<u>(22,941)</u>	<u>(13,588)</u>
Change in net position	17,888	28,836	31,842	(10,948)	(3,006)
Net position (deficit), beginning of year	<u>(839,236)</u>	<u>(868,073)</u>	<u>(899,915)</u>	<u>28,837</u>	<u>31,842</u>
Net position (deficit), end of year	<u>\$ (821,348)</u>	<u>\$ (839,237)</u>	<u>\$ (868,073)</u>	<u>\$ 17,889</u>	<u>\$ 28,836</u>

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 \$157 million, \$192 million, and \$212 million in fiscal years 2024, 2023 and 2022, respectively.

The variances of investment earnings in fiscal years 2024 and 2023 were primarily attributable to market value and interest rate fluctuations on investments. The negative investment income reported in fiscal year 2022 resulted from the mark to market valuation on Federal Home Loan Bank discount notes purchased on May 20, 2022. 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, as previously explained. 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, 2024 AND 2023 (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,

	2024	2023	2022	Variance	
				2024/2023	2023/2022
	(in thousands)				
<b>Assets:</b>					
Total assets - non-capital	\$ 158,702	\$ 180,810	\$ 185,912	\$ (22,108)	\$ (5,102)
Deferred outflows of resources	13,099	13,869	14,640	(770)	(771)
<b>Liabilities:</b>					
Current liabilities	87,411	94,634	96,980	(7,223)	(2,346)
Long-term liabilities	905,738	939,282	971,645	(33,544)	(32,363)
Total liabilities	993,149	1,033,916	1,068,625	(40,767)	(34,709)
<b>Net position (deficit):</b>					
Unrestricted	(821,348)	(839,237)	(868,073)	17,889	28,836
Net position (deficit), end of year	<u>\$ (821,348)</u>	<u>\$ (839,237)</u>	<u>\$ (868,073)</u>	<u>\$ 17,889</u>	<u>\$ 28,836</u>

TSASC's total assets for the fiscal years 2024, 2023 and 2022 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 2024, 2023 and 2022 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 the schedule of 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, 2024 AND 2023 (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,

	2024	2023	2022	Variance	
				2024/2023	2023/2022
	(in thousands)				
<b>Revenues:</b>					
Tobacco settlement revenue	\$ 107,295	\$ 124,248	\$ 131,469	\$ (16,953)	\$ (7,221)
Investment earnings	397	194	25	203	169
<b>Total revenues</b>	<b>107,692</b>	<b>124,442</b>	<b>131,494</b>	<b>(16,750)</b>	<b>(7,052)</b>
<b>Expenditures:</b>					
Transfer to the Trust	107,055	123,868	130,918	(16,813)	(7,050)
General and administrative	634	512	537	122	(25)
<b>Total expenditures</b>	<b>107,689</b>	<b>124,380</b>	<b>131,455</b>	<b>(16,691)</b>	<b>(7,075)</b>
<b>Net change in fund balances</b>	<b>3</b>	<b>62</b>	<b>39</b>	<b>(59)</b>	<b>23</b>
Fund balances, beginning of year	632	570	531	62	39
Fund balances, end of year	<b>\$ 635</b>	<b>\$ 632</b>	<b>\$ 570</b>	<b>\$ 3</b>	<b>\$ 62</b>

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, 2024 AND 2023 (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,

	2024	2023	2022	Variance	
				2024/2023	2023/2022
			(in thousands)		
Revenues:					
Tobacco settlement revenue	\$ 63,122	\$ 73,337	\$ 77,627	\$ (10,215)	\$ (4,290)
Investment earnings (loss)	4,209	3,133	(118)	1,076	3,251
Other	-	-	3	-	(3)
Total revenues	67,331	76,470	77,512	(9,139)	(1,042)
Expenditures:					
Bond interest	46,906	48,297	49,631	(1,391)	(1,334)
Principal amount of bonds retired	29,050	27,835	26,675	1,215	1,160
Total expenditures	75,956	76,132	76,306	(176)	(174)
Net change in fund balances	(8,625)	338	1,206	(8,963)	(868)
Fund balances, beginning of year	81,664	81,326	80,120	338	1,206
Fund balances, end of year	\$ 73,039	\$ 81,664	\$ 81,326	\$ (8,625)	\$ 338

TSRs recorded in the DSF for fiscal years 2024, 2023 and 2022 were based on the amount collected each year to pay debt service obligations, pursuant to the 2016 Indenture. The variances of investment earnings (loss) in fiscal years 2024, 2023 and 2022 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, 2024 AND 2023 (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,

	2024	2023	2022	Variance	
				2024/2023	2023/2022
	(in thousands)				
<b>Assets:</b>					
Cash equivalents	\$ 660	\$ 642	\$ 586	\$ 18	\$ 56
Tobacco settlement revenue receivable	53,210	61,661	65,104	(8,451)	(3,443)
Accrued interest receivable	3	4	-	(1)	4
<b>Total assets</b>	<b>\$ 53,873</b>	<b>\$ 62,307</b>	<b>\$ 65,690</b>	<b>\$ (8,434)</b>	<b>\$ (3,383)</b>
<b>Liabilities</b>	<b>\$ 28</b>	<b>\$ 14</b>	<b>\$ 16</b>	<b>\$ 14</b>	<b>\$ (2)</b>
Deferred inflows of resources	53,210	61,661	65,104	(8,451)	(3,443)
<b>Fund Balances:</b>					
Unassigned	635	632	570	3	62
<b>Total fund balances</b>	<b>635</b>	<b>632</b>	<b>570</b>	<b>3</b>	<b>62</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 53,873</b>	<b>\$ 62,307</b>	<b>\$ 65,690</b>	<b>\$ (8,434)</b>	<b>\$ (3,383)</b>

The GF assets at June 30, 2024, 2023 and 2022, totaled approximately \$53.9 million, \$62.3 million and \$65.7 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, 2024 AND 2023 (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,

	2024	2023	2022	Variance	
				2024/2023	2023/2022
			(in thousands)		
Assets:					
Cash equivalents and investments	\$ 73,023	\$ 81,663	\$ 81,326	\$ (8,640)	\$ 337
Tobacco settlement revenue receivable	31,790	36,839	38,896	(5,049)	(2,057)
Accrued interest receivable	16	1	-	15	1
Total assets	<u>\$ 104,829</u>	<u>\$ 118,503</u>	<u>\$ 120,222</u>	<u>\$ (13,674)</u>	<u>\$ (1,719)</u>
Deferred inflows of resources	<u>\$ 31,790</u>	<u>\$ 36,839</u>	<u>\$ 38,896</u>	<u>\$ (5,049)</u>	<u>\$ (2,057)</u>
Fund Balances:					
Restricted for debt service	<u>73,039</u>	<u>81,664</u>	<u>81,326</u>	<u>(8,625)</u>	<u>338</u>
Total fund balances	<u>73,039</u>	<u>81,664</u>	<u>81,326</u>	<u>(8,625)</u>	<u>338</u>
Total deferred inflows of resources and fund balances	<u>\$ 104,829</u>	<u>\$ 118,503</u>	<u>\$ 120,222</u>	<u>\$ (13,674)</u>	<u>\$ (1,719)</u>

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 2024, TSASC did not receive sufficient TSRs to fully fund its scheduled June and December subordinate debt service requirements. TSASC is expected to draw \$8.4 million from its Subordinate Liquidity Reserve Account on December 2, 2024, in order to meet its debt service requirement. In April 2023 and April 2022, TSR receipts were sufficient for TSASC to fully fund its scheduled debt service payments and partially replenish its Subordinate Liquidity Reserve Account (see Note 3 for details).

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, 2024 AND 2023 (unaudited) (continued)**

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#### **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 different from those forecasted.

In April 2024, TSASC received \$63.7 million of pledged TSRs, which differed from the fiscal year 2017 forecast of \$85 million. In April 2023, TSASC received \$73.9 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 2024 and 2023 payments.

Due to the reduced payments of TSRs, TSASC drew a cumulative total of \$34.5 million from its Subordinate Liquidity Reserve Account beginning in December 2017 through December 2021 in order to meet its debt service requirements. However, in April 2023 and April 2022 TSR receipts were sufficient for TSASC to fully fund its scheduled debt service payments and replenish its Subordinate Liquidity Reserve by \$59 thousand and \$2.0 million, respectively. As of June 30, 2024, the balance of the Subordinate Liquidity Reserve Account was \$10.2 million after giving effect of investment earnings.

## **TSASC, INC.**

(A Component Unit of The City of New York)

### **STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2024 AND 2023**

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#### **RATINGS**

In a report released October 16, 2023, S&P affirmed or changed the assigned ratings on TSASC bonds as discussed below.

The 2017 Series A serial bonds maturing in fiscal years 2024 through 2032 were rated "A", 2017 Series A serial bonds maturing in fiscal year 2033 were upgraded to "A" from "A-" and Series A serial bonds maturing in fiscal years 2034 through 2036 were rated "A-." 2017 Series A Term Bonds maturing in fiscal year 2041 were rated "A-."

The 2017 Series B serial bonds maturing in fiscal years 2024 through 2025 are rated "B-." 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, 6<sup>th</sup> Floor  
New York, NY 10007.

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**TSASC, INC.**

(A Component Unit of The City of New York)

**STATEMENTS OF NET POSITION (DEFICIT)  
AS OF JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
	(in thousands)	
<b>ASSETS:</b>		
Unrestricted cash equivalents	\$ 660	\$ 642
Restricted cash equivalents	94	97
Restricted investments	72,929	81,566
Tobacco settlement revenue receivable	85,000	98,500
Accrued interest receivable	19	5
	<u>158,702</u>	<u>180,810</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Unamortized loss on refunding	<u>13,099</u>	<u>13,869</u>
	<u>13,099</u>	<u>13,869</u>
<b>LIABILITIES:</b>		
Accrued expenses	28	14
Accrued interest payable	3,788	3,909
Remittance payable to the Trust	53,210	61,661
Bonds payable:		
Portion due within one year	30,385	29,050
Portion due after one year	905,738	939,282
	<u>993,149</u>	<u>1,033,916</u>
<b>NET POSITION (DEFICIT):</b>		
Unrestricted (deficit)	<u>(821,348)</u>	<u>(839,237)</u>
	<u>\$ (821,348)</u>	<u>\$ (839,237)</u>

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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
	(in thousands)	
<b>REVENUES:</b>		
Tobacco settlement revenue:		
Tobacco settlement revenue - pledged	\$ 58,687	\$ 71,840
Tobacco settlement revenue - unpledged	98,230	120,245
Total tobacco settlement revenue	<u>156,917</u>	<u>192,085</u>
Investment earnings	4,606	3,327
Total revenues	<u>161,523</u>	<u>195,412</u>
<b>EXPENSES:</b>		
Transfer to the Trust	98,604	120,425
Bond interest	44,396	45,639
General and administrative	634	512
Total expenses	<u>143,634</u>	<u>166,576</u>
Change in net position	17,889	28,836
<b>NET POSITION (DEFICIT) - beginning of year</b>	<u>(839,237)</u>	<u>(868,073)</u>
<b>NET POSITION (DEFICIT) - end of year</b>	<u>\$ (821,348)</u>	<u>\$ (839,237)</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**

	<u>General Fund</u>	<u>Debt Service Fund</u> (in thousands)	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
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
	<u>3</u>	<u>16</u>	<u>19</u>
Total assets	<u>\$ 53,873</u>	<u>\$ 104,829</u>	<u>\$ 158,702</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 28	\$ -	\$ 28
Total liabilities	<u>28</u>	<u>-</u>	<u>28</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
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>
<b>FUND BALANCES:</b>			
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)

**GOVERNMENTAL FUNDS BALANCE SHEET  
AS OF JUNE 30, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u> (in thousands)	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Unrestricted cash equivalents	\$ 642	\$ -	\$ 642
Restricted cash equivalents	-	97	97
Restricted investments	-	81,566	81,566
Tobacco settlement revenue receivable	61,661	36,839	98,500
Accrued interest receivable	4	1	5
Total assets	<u>\$ 62,307</u>	<u>\$ 118,503</u>	<u>\$ 180,810</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 14	\$ -	\$ 14
Total liabilities	<u>14</u>	<u>-</u>	<u>14</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable tobacco settlement revenue	61,661	36,839	98,500
Total deferred inflows of resources	<u>61,661</u>	<u>36,839</u>	<u>98,500</u>
<b>FUND BALANCES:</b>			
Restricted for debt service	-	81,664	81,664
Unassigned	632	-	632
Total fund balances	<u>632</u>	<u>81,664</u>	<u>82,296</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 62,307</u>	<u>\$ 118,503</u>	<u>\$ 180,810</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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
	(in thousands)	
Total fund balances - governmental funds	\$ 73,674	\$ 82,296
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.	(27,068)	(30,227)
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.	13,099	13,869
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).	85,000	98,500
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	(909,055)	(938,105)
Accrued interest payable	(3,788)	(3,909)
Remittance payable to the Trust	(53,210)	(61,661)
Net position (deficit) of governmental activities	<u>\$ (821,348)</u>	<u>\$ (839,237)</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**

	<u>General Fund</u>	<u>Debt Service Fund</u> (in thousands)	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Tobacco settlement revenue:			
Tobacco settlement revenue - pledged	\$ 614	\$ 63,122	\$ 63,736
Tobacco settlement revenue - unpledged	106,681	-	106,681
Total tobacco settlement revenue	<u>107,295</u>	<u>63,122</u>	<u>170,417</u>
Investment earnings	<u>397</u>	<u>4,209</u>	<u>4,606</u>
Total revenues	<u>107,692</u>	<u>67,331</u>	<u>175,023</u>
<b>EXPENDITURES:</b>			
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	<u>107,689</u>	<u>75,956</u>	<u>183,645</u>
Net change in fund balances	3	(8,625)	(8,622)
<b>FUND BALANCES - beginning of year</b>	<u>632</u>	<u>81,664</u>	<u>82,296</u>
<b>FUND BALANCES - end of year</b>	<u>\$ 635</u>	<u>\$ 73,039</u>	<u>\$ 73,674</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, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u> (in thousands)	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Tobacco settlement revenue:			
Tobacco settlement revenue - pledged	\$ 560	\$ 73,337	\$ 73,897
Tobacco settlement revenue - unpledged	123,688	-	123,688
Total tobacco settlement revenue	<u>124,248</u>	<u>73,337</u>	<u>197,585</u>
Investment earnings	<u>194</u>	<u>3,133</u>	<u>3,327</u>
Total revenues	<u>124,442</u>	<u>76,470</u>	<u>200,912</u>
<b>EXPENDITURES:</b>			
Payment to The City of New York			
Transfer to the Trust:			
Tobacco settlement revenue and interest earnings	123,868	-	123,868
Bond interest	-	48,297	48,297
Principal amount of bonds retired	-	27,835	27,835
General and administrative	<u>512</u>	<u>-</u>	<u>512</u>
Total expenditures	<u>124,380</u>	<u>76,132</u>	<u>200,512</u>
Net change in fund balances	62	338	400
<b>FUND BALANCES - beginning of year</b>	<u>570</u>	<u>81,326</u>	<u>81,896</u>
<b>FUND BALANCES - end of year</b>	<u>\$ 632</u>	<u>\$ 81,664</u>	<u>\$ 82,296</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 STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
	(in thousands)	
Net change in fund balances - governmental funds	\$ (8,622)	\$ 400
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.	(770)	(771)
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.	(13,500)	(5,500)
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).	29,050	27,835
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.	3,159	3,313
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.	121	116
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.	<u>8,451</u>	<u>3,443</u>
Change in net position (deficit) - governmental activities	<u>\$ 17,889</u>	<u>\$ 28,836</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, 2024 AND 2023**

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#### **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 62.6% of TSASC’s annual collection of 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. During fiscal years 2024 and 2023, TSASC transferred to the Trust \$107 million and \$124 million, respectively. The 2016 Indenture also continued to provide that 37.4% of TSASC’s annual collection of TSRs are pledged for the payment of TSASC’s debt service and operating costs.

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, 2024 AND 2023**

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### **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.

If and when 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 30<sup>th</sup>. 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, 2024 AND 2023

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### **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/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. 100, *Accounting Changes and Error Corrections-An Amendment to GASB Statement No. 62*, ("GASB 100"). GASB 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements for GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Early application is encouraged. The adoption of GASB 100 did not have an immediate impact on TSASC's financial statements as there were no accounting changes or error corrections in the current fiscal year.
- In June 2022, GASB issued Statement No. 101, *Compensated Absences*, ("GASB 101"). GASB 101 updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements for GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Early application is encouraged. TSASC has not completed the process of evaluating GASB 101 but does not expect it to have an impact on TSASC's financial statements as it does not have employees.



# TSASC, INC.

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- 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. Earlier application is encouraged. TSASC has not completed the process of evaluating GASB 102 but expects it to have an impact on TSASC’s disclosures.
- In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, (“GASB 103”). GASB 103 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.

### **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 2024 and 2023 is as follows (in thousands):

	Outstanding Principal Balance at June 30, 2022	Additions	Deletions	Outstanding Principal Balance at June 30, 2023	Additions	Deletions	Outstanding Principal Balance at June 30, 2024
Series 2017A	\$ 496,440	\$ -	\$ (21,435)	\$ 475,005	\$ -	\$ (22,550)	\$ 452,455
Series 2017B	469,500	-	(6,400)	463,100	-	(6,500)	456,600
Total before premiums	965,940	-	(27,835)	938,105	-	(29,050)	909,055
Premiums	33,540	-	(3,313)	30,227	-	(3,159)	27,068
Total bonds payable	<u>\$ 999,480</u>	<u>\$ -</u>	<u>\$ (31,148)</u>	<u>\$ 968,332</u>	<u>\$ -</u>	<u>\$ (32,209)</u>	<u>\$ 936,123</u>
Due within one year	<u>\$ 27,835</u>			<u>\$ 29,050</u>			<u>\$ 30,385</u>

As of June 30, 2024, and 2023, 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, 2024 and 2023.

# TSASC, INC.

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

### **NOTE 3 – BONDS PAYABLE (continued)**

As of June 30, 2024, TSASC has not received sufficient TSRs to fully fund its scheduled June and December subordinate debt service requirements. The Subordinate Debt Service Account is underfunded by \$8.4 million and TSASC is expected to draw upon its subordinate liquidity reserve funds on December 2, 2024, in order to meet its debt service requirement.

As of June 30, 2023, TSASC received sufficient TSRs to fully fund its scheduled June and December subordinate debt service requirements, as well as partially replenish the Subordinate Liquidity Reserve Account. TSASC has been receiving less TSRs than originally forecasted starting in fiscal year 2017, as discussed earlier. 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 previously drew \$34.5 million from its Subordinate Liquidity Reserve Account in December 2017 through December 2021 in order to make its debt service payments. As of June 30, 2024, the balance of the Subordinate Liquidity Reserve Account was \$10.2 million after giving effect of investment earnings.

Debt service requirements, including principal and interest as of June 30, 2024 are as follows (in thousands):

Year ended June 30,	SENIOR		SUBORDINATE		TOTAL		
	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2025	\$ 23,785	\$ 22,623	\$ 6,600	\$ 22,830	\$ 30,385	\$ 45,453	\$ 75,838
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 to 2034	137,785	66,701	-	112,500	137,785	179,201	316,986
2035 to 2039	128,500	33,309	-	112,500	128,500	145,809	274,309
2040 to 2044	56,560	4,322	-	112,500	56,560	116,822	173,382
2045 to 2049	-	-	450,000	63,750	450,000	63,750	513,750
Total	\$ 452,455	\$ 204,920	\$ 456,600	\$ 514,080	\$ 909,055	\$ 719,000	\$ 1,628,055

### **NOTE 4 – CASH EQUIVALENTS**

As of June 30, 2024, and 2023, TSASC did not have any cash deposits on hand. Cash equivalents comprised money market funds. TSASC's cash equivalents are summarized as follows:

	2024	2023
	(in thousands)	
<b>Restricted:</b>		
Cash equivalents (see note 5)	\$ 94	\$ 97
Total restricted	94	97
<b>Unrestricted:</b>		
Cash equivalents (see note 5)	660	642
Total unrestricted	660	642
Total cash equivalents	\$ 754	\$ 739

# TSASC, INC.

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

### **NOTE 5 – INVESTMENTS**

The investments, including cash equivalents, as of June 30, 2024 and 2023 are summarized as follows:

	<u>2024</u>	<u>2023</u>
	(in thousands)	
<b>Restricted:</b>		
Money Market Funds	\$ 94	\$ 97
Federal Home Loan Bank discount notes (Maturing within one year)	48,269	81,566
Federal National Mortgage Association discount notes (Maturing within one year)	24,660	-
Total restricted	<u>73,023</u>	<u>81,663</u>
<b>Unrestricted:</b>		
Money Market Funds	<u>660</u>	<u>642</u>
Total unrestricted	<u>660</u>	<u>642</u>
Total investments including cash equivalents	73,683	82,305
Less amounts reported as cash equivalents (see note 4)	<u>(754)</u>	<u>(739)</u>
Total investments	<u>\$ 72,929</u>	<u>\$ 81,566</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 had the following recurring fair value measurements as of June 30, 2024 and 2023:

- 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 that are in the possession of an outside party. TSASC's investments are not collateralized. All investments are held in the Trustee's name by the Trustee.

**Credit Risk:** Investments held by TSASC on June 30, 2024 were primarily securities invested in Federal Home Loan Bank discount notes and Federal National Mortgage Association discount notes, both rated by Moody's P-1 and Standard & Poor's A-1+.

**TSASC, INC.**

(A Component Unit of The City of New York)

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024 AND 2023**

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**NOTE 5 – INVESTMENTS (continued)**

***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, 2024, more than 5% of TSASC's investments were in U.S. Government-sponsored entities. These investments were 98.9% of TSASC's total investments.

\* \* \* \* \*

DRAFT - Subject to Material Change

# *Draft Government Auditing Standards Reports*

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**TSASC, Inc.**

**(A Component Unit of The City of New York)**

**Financial Statements  
(Together with Independent Auditors' Report)**

**June 30, 2024 and 2023**

**and**

**Reports in Accordance with  
*Government Auditing Standards***

**June 30, 2024**

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

**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**

**JUNE 30, 2024 AND 2023**

and

**Reports in Accordance with *Government Auditing Standards***

**JUNE 30, 2024**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audits of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities and governmental funds of TSASC, Inc. ("TSASC"), a component unit of The City of New York, as of and for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, 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") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 2024 on our consideration of TSASC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TSASC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TSASC's internal control over financial reporting and compliance.

New York, NY  
September XX, 2024

DRAFT - Subject to Material Change

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and governmental funds of TSASC, Inc. ("TSASC") as of and for the year ended June 30, 2024 as listed in the table of contents, and the related notes to the financial statements, which collectively comprise TSASC's basic financial statements, and have issued our report thereon dated September XX, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered TSASC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TSASC's internal control. Accordingly, we do not express an opinion on the effectiveness of TSASC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether TSASC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TSASC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

New York, NY  
September XX, 2024

DRAFT - Subject to Material Change

# Draft Management Letter

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September XX, 2024

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

In planning and performing our audit of the financial statements TSASC, Inc. ("TSASC") as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered TSASC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TSASC's internal control. Accordingly, we do not express an opinion on the effectiveness of TSASC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the Board of Directors, Audit Committee and management of TSASC, Inc. and is not intended to be and should not be used by anyone other than these specified parties, unless permission is granted.

Sincerely,

CBIZ CPAs P.C.

DRAFT - Subject to Material Changes



# Draft Investment Compliance Report

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## INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and governmental funds of TSASC, Inc. ("TSASC") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise TSASC's basic financial statements, and have issued our report thereon dated September XX, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that TSASC failed to comply with TSASC's Investment Guidelines, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding TSASC's noncompliance with its Investment Guidelines, insofar as they relate to accounting matters.

This report is intended solely for the information of TSASC's Audit Committee, Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties, unless permission is granted.

September XX, 2024  
New York, NY

DRAFT - Subject to Material Change





# Executive Session

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