# BROOKLYN NAVY YARD DEVELOPMENT CORPORATION

## A COMPONENT UNIT OF THE CITY OF NEW YORK

## Financial Statements and Supplementary Information
## (Together with Independent Auditors' Report)
## For the Years Ended June 30, 2023 and 2022

## and

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

## For the Year Ended June 30, 2023

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**

**A COMPONENT UNIT OF THE CITY OF NEW YORK**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**
**(Together with Independent Auditors' Report)**

**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**AND**

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

**FOR THE YEAR ENDED JUNE 30, 2023**

**CONTENTS**


**Page**

Independent Auditors' Report ........ 1-3

Management's Discussion and Analysis (Unaudited) ........ 4-7

**Basic Financial Statements as of and for the Years Ended June 30, 2023 and 2022:**

Statements of Net Position ........ 8

Statements of Revenues, Expenses and Changes in Net Position ........ 9

Statements of Cash Flows ........ 10

**Notes to the Financial Statements** ........ 11-36

**Supplementary Information**

Schedules of Property Management Revenue and Expenses ........ 37

Schedules of General and Administrative Expenses ........ 38

***Government Auditing Standards:***

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* ........ 39-40

# INDEPENDENT AUDITORS' REPORT

Board of Directors of
Brooklyn Navy Yard Development Corporation

## Report on the Audit of Financial Statements

### *Opinion*

We have audited the financial statements of Brooklyn Navy Yard Development Corporation (the "Corporation"), a component unit of The City of New York, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2023 and 2022 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation 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 opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 opinion. 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.

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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 the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge 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.

***Other Matters***

***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 7 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, which 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 Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The schedules of property management revenue and expenses and general and administrative expenses for the years ended June 30, 2023 and 2022 (shown on pages 37 and 38) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023 on our consideration of the Corporation'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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

Mayer Hoffman McCann CPAs

New York, NY
September 20, 2023

## OVERVIEW OF THE ORGANIZATION

The following is an overview of the financial activities of Brooklyn Navy Yard Development Corporation (the "Corporation" or "BNYDC") for the fiscal years ended June 30, 2023 and 2022. The Corporation is a component unit of The City of New York (the "City").

The mission of the Corporation is to fuel the City's economic vitality by creating and preserving quality jobs, growing the City's modern industrial sector and its businesses, and connecting the local community with the economic opportunity and resources of the Brooklyn Navy Yard (the "Navy Yard"). It serves as a real estate developer and property manager of the Navy Yard on behalf of the City and strives to provide an environment in which businesses and careers can take root and grow.

The Corporation is responsible for the leasing, management, and development of the Navy Yard for industrial, maritime, and commercial uses. The Corporation operates under a lease with the City that, after exercising all renewal periods, expires in 2111 and also under an annual management contract. The Corporation has the dual responsibility of generating revenues to cover all of its operating expenses while simultaneously implementing strategies to retain and increase employment. The Corporation is also responsible for the maintenance of the Navy Yard's buildings, roadways, utility distribution systems, fire hydrants, water and sewage, sanitation, snow removal, and street security.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three parts (1) management's discussion and analysis (this section), (2) the basic financial statements and (3) the notes to the financial statements. The basic financial statements of the Corporation, which include the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows, are presented for the purposes of displaying entity-wide information in accordance with Governmental Accounting Standards Board ("GASB") requirements. These 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.

## FINANCIAL HIGHLIGHTS

### Current and Noncurrent Assets

Current assets consisted of the following as of June 30:

| | 2023 | 2022 | 2021 | Variance % 2023 vs. 2022 | Variance % 2022 vs. 2021 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | $ 21,226,528 | $ 19,456,873 | $ 28,522,637 | 9% | -32% |
| Accounts receivable, net | 4,639,018 | 4,782,958 | 6,234,039 | -3% | -23% |
| Lease receivable | 16,906,784 | 31,070,875 | 26,553,354 | -46% | 17% |
| Grants receivable | 4,432,600 | 4,797,005 | 2,660,191 | -8% | 80% |
| Community development notes receivable | - | - | 358,043 | 0% | -100% |
| Prepaid expenses and other current assets | 2,968,561 | 2,394,451 | 2,199,848 | 24% | 9% |
| Total Current Assets | $ 50,173,491 | $ 62,502,162 | $ 66,528,112 | -20% | -6% |

## FINANCIAL HIGHLIGHTS (Continued)

As of June 30, 2023, the Corporation reported current assets of $50,173,491 consisting of cash and cash equivalents of $21,226,528, accounts receivable of $4,639,018, lease receivable of $16,906,784, grants receivable of $4,432,600, and prepaid expenses and other current assets of $2,968,561.

As of June 30, 2022, the Corporation reported current assets of $62,502,162 consisting of cash and cash equivalents of $19,456,873, accounts receivable of $4,782,958, lease receivable of $31,070,875, grants receivable of $4,797,005, and prepaid expenses and other current assets of $2,394,451.

The cash and cash equivalents increased by $1,769,655 or 9%, mainly due to a significant rise in collection from tenants compared to the previous fiscal year ($2.9 million increase).

Grants receivable consist of capital funds due from the City and non-governmental organizations for several projects in the Navy Yard. The decrease of $364,405 or 8% is due to the timely receipt of a significant portion of the outstanding city capital receivables. Prepaid expenses and other current assets increased by $574,110 or 24% mainly due to the capital lease receivable balance from GMC LL.

### Noncurrent Assets

Noncurrent assets consisted of the following as of June 30:

| | 2023 | 2022 | 2021 | Variance % 2023 vs. 2022 | Variance % 2022 vs. 2021 |
|---|---|---|---|---|---|
| **Noncurrent assets** | | | | | |
| Restricted cash and cash equivalents | $ 30,101,183 | $ 13,179,679 | $ 28,530,629 | 128% | -54% |
| Tenants' security deposits - restricted | 11,310,914 | 10,865,382 | 9,665,407 | 4% | 12% |
| Lease receivable | 437,622,403 | 429,630,915 | 417,132,866 | 2% | 3% |
| Community development notes receivable | 24,953,000 | 24,953,000 | 40,389,140 | 0% | -38% |
| Capital assets, net | 738,575,657 | 741,352,192 | 750,954,290 | 0% | -1% |
| Total Noncurrent Assets | $ 1,242,563,157 | $ 1,219,981,168 | $ 1,246,672,332 | 2% | -2% |

As of June 30, 2023, the Corporation had noncurrent assets of $1,242,563,157 consisting of restricted cash and cash equivalents of $30,101,183, tenants' security deposits of $11,310,914, lease receivables of $437,622,403, community development notes receivable of $24,953,000, right-of-use asset of $181,044,968, and capital assets of $557,530,689. Capital assets are net of accumulated depreciation and amortization.

As of June 30, 2022, the Corporation had noncurrent assets of $1,219,981,168 consisting of restricted cash and cash equivalents of $13,179,679, tenants' security deposits of $10,865,382, lease receivables of $429,630,915, community development notes receivable of $24,953,000, right-of-use asset of $185,809,309, and capital assets of $555,542,883. Capital assets are net of accumulated depreciation.

The Corporation's restricted cash and cash equivalents are comprised of the cash reserved for the construction projects. The increase in restricted cash equivalents at June 30, 2023 is attributed to a greater influx of city capital receipts throughout the year.

The capital assets are comprised of improvements to the land and buildings, office equipment, and automobiles, trucks and machinery. The capital assets decreased by $2,776,535 due to current year deprecation offset by new construction projects. The right-of-use asset decreased due to the current year's amortization of the Navy Yard's leased assets. Assets leased by the Navy Yard are amortized over the shorter of their useful life or the lease term.

## FINANCIAL HIGHLIGHTS (Continued)

### Current and Noncurrent Liabilities

Current liabilities consisted of the following as of June 30:

| | 2023 | 2022 | 2021 | 2023 vs. 2022 | 2022 vs. 2021 |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Accounts payable and accrued expenses | $ 11,783,839 | $ 12,019,690 | $ 9,603,416 | -2% | 25% |
| Unearned revenues | 28,995,552 | 11,724,492 | 26,626,589 | 147% | -56% |
| Development loans payable | 3,480,119 | 3,064,873 | 32,185,996 | 14% | -90% |
| Community development notes payable | - | - | 179,007 | 0% | -100% |
| Construction loan payable | 1,527,852 | 1,491,060 | 1,455,155 | 2% | 2% |
| Total Current Liabilities | $ 45,787,362 | $ 28,300,115 | $ 70,050,163 | 62% | -60% |

Current liabilities of $45,787,362 were recorded as of June 30, 2023, an increase of $17 million or 62%. This resulted from city capital receipt of $16.4 million for Berth 9, 10 and SBB structural project.

Noncurrent liabilities consisted of the following as of June 30:

| | 2023 | 2022 | 2021 | 2023 vs. 2022 | 2022 vs. 2021 |
|---|---|---|---|---|---|
| **Noncurrent liabilities** | | | | | |
| Tenants' security deposits - restricted | $ 11,452,351 | $ 10,880,756 | $ 9,356,856 | 5% | 16% |
| Development loans payable | 159,824,359 | 162,171,140 | 134,666,767 | -1% | 20% |
| Community development notes payable | 35,330,000 | 35,330,000 | 57,850,993 | 0% | -39% |
| Construction loan payable | 90,198 | 1,618,050 | 3,109,110 | -94% | -48% |
| Lease liability | 199,513,697 | 197,730,484 | 196,038,281 | 1% | 1% |
| Other long-term liabilities | - | 720,917 | 720,917 | -100% | 0% |
| Total Noncurrent Liabilities | $ 406,210,605 | $ 408,451,347 | $ 401,742,924 | -1% | 2% |
| Total Liabilities | $ 451,997,967 | $ 436,751,462 | $ 471,793,087 | 3% | -7% |

Noncurrent liabilities of $406,210,605 were recorded as of June 30, 2023, a decrease of $2.2 million, the result of repayment of development and construction loans.

## FINANCIAL HIGHLIGHTS (Continued)

### Statements of Revenues, Expenses and Changes in Net Position

The following summarizes the Corporation's changes in net position for the years ended June 30:

| | 2023 | 2022 | 2021 | 2023 vs. 2022 | 2022 vs. 2021 |
|---|---|---|---|---|---|
| Operating revenues | $ 97,374,778 | $ 103,675,312 | $ 84,273,825 | -6% | 23% |
| Operating expenses | 91,472,343 | 104,842,600 | 86,440,566 | -13% | 21% |
| Operating income (loss) | 5,902,435 | (1,167,288) | (2,166,741) | -606% | -46% |
| Non-operating revenue | 1,092,240 | 7,531,366 | 4,402,015 | -85% | 71% |
| Non-operating expense | 18,196,703 | 18,595,611 | 19,167,966 | -2% | -3% |
| Non-operating expense, net | (17,104,463) | (11,064,245) | (14,765,951) | 55% | -25% |
| Loss before capital contributions | (11,202,028) | (12,231,533) | (16,932,692) | -8% | -28% |
| Capital contributions | 25,484,801 | 19,382,213 | 16,372,468 | 31% | 18% |
| Change in net position | 14,282,773 | 7,150,680 | (560,224) | 100% | -1376% |
| Net position, beginning of year | 431,681,022 | 424,530,342 | 425,090,566 | 2% | 0% |
| Net position, end of year | $ 445,963,795 | $ 431,681,022 | $ 424,530,342 | 3% | 2% |

The Corporation manages and leases over 5,000,000 square feet of industrial and commercial space under roof, as well as six (6) dry docks and four (4) finger piers. By leasing these properties, the Corporation generates revenues to cover its operating costs, as well as surplus monies that are reinvested in the facility. Properties are leased to tenants on both a short-term and long-term basis. In addition, the Corporation facilitates business growth and expansion on the part of its tenants by creating an environment that complements their business and therefore helps create jobs.

### Operating Revenues

The demand for industrial space continued to be strong during fiscal year 2023. The Corporation incurred a decrease in operating revenues of $6.3 million or 6% mainly as a result of a reduction in grant revenue for fiscal year 2023.

### Operating Expenses

The total operating expenses decreased by $13.3 million or 13% due mainly to a reduction in other operating expense, including bad debt and utilities.

### Net Position

Net position as of June 30, 2023 was $445.9 million, an increase of $14.2 million from the prior year. This increase in total net position is a direct result of reduction in operating expense and increase in city capital receipts.

### BNYDC Financial Management

This financial report is designed to provide our customers, clients and the public with a general overview of the Corporation's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Brooklyn Navy Yard Development Corporation, Building 77, 141 Flushing Avenue, Suite 801, Brooklyn, NY 11205.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**
**(A COMPONENT UNIT OF THE CITY OF NEW YORK)**
**STATEMENTS OF NET POSITION**
**JUNE 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents (Notes 2E and 3) | $ 21,226,528 | $ 19,456,873 |
| Accounts receivable, net of allowance for doubtful accounts of $4,640,991 in 2023 and $6,504,099 in 2022 (Note 2F) | 4,639,018 | 4,782,958 |
| Lease receivable (Notes 2D and 12) | 16,906,784 | 31,070,875 |
| Grants receivable (Notes 1 and 2D) | 4,432,600 | 4,797,005 |
| Prepaid expenses and other current assets (Notes 2G and 4) | 2,968,561 | 2,394,451 |
| Total current assets | 50,173,491 | 62,502,162 |
| Noncurrent assets | | |
| Restricted cash and cash equivalents (Notes 2E and 3) | 30,101,183 | 13,179,679 |
| Tenants' security deposits - restricted | 11,310,914 | 10,865,382 |
| Lease receivable (Note 12) | 437,622,403 | 429,630,915 |
| Community development notes receivable (Notes 2I and 4) | 24,953,000 | 24,953,000 |
| Capital assets (Notes 2J and 5): | | |
| Nondepreciable | 46,337,246 | 16,110,639 |
| Depreciable, net | 511,193,443 | 539,432,244 |
| Lease assets, net | 181,044,968 | 185,809,309 |
| Total noncurrent assets | 1,242,563,157 | 1,219,981,168 |
| **TOTAL ASSETS** | $ 1,292,736,648 | $ 1,282,483,330 |
| **LIABILITIES AND NET POSITION** | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 11,783,839 | $ 12,019,690 |
| Unearned revenues (Notes 2K and 6) | 28,995,552 | 11,724,492 |
| Development loans payable (Note 8) | 3,480,119 | 3,064,873 |
| Construction loan payable (Note 10) | 1,527,852 | 1,491,060 |
| Total current liabilities | 45,787,362 | 28,300,115 |
| Noncurrent liabilities | | |
| Tenants' security deposits - restricted | 11,452,351 | 10,880,756 |
| Development loans payable (Note 8) | 159,824,359 | 162,171,140 |
| Community development notes payable (Note 9) | 35,330,000 | 35,330,000 |
| Construction loan payable (Note 10) | 90,198 | 1,618,050 |
| Lease liability (Note 13) | 199,513,697 | 197,730,484 |
| Other long-term liabilities | - | 720,917 |
| Total noncurrent liabilities (Note 7) | 406,210,605 | 408,451,347 |
| Total liabilities | 451,997,967 | 436,751,462 |
| Deferred inflow of resources (Note 2D) | | |
| Leases (Notes 2D and 12) | 394,774,886 | 414,050,846 |
| Net position (Note 2L) | | |
| Net investment in capital assets | 538,323,129 | 539,168,129 |
| Restricted: | | |
| Capital projects | 24,352,534 | 9,271,284 |
| Debt service and other reserves | 439,317 | 816,782 |
| Unrestricted | (117,151,185) | (117,575,173) |
| Total net position | 445,963,795 | 431,681,022 |
| **TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION** | $ 1,292,736,648 | $ 1,282,483,330 |

See accompanying notes to the financial statements.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**
**(A COMPONENT UNIT OF THE CITY OF NEW YORK)**
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Revenue from leases (Notes 2D and 12) | | |
| Rents | $ 53,966,496 | $ 56,253,239 |
| Interest - leases | 24,264,721 | 23,667,949 |
| Insurance | 1,894,382 | 1,549,810 |
| Utilities | 10,965,642 | 8,892,341 |
| Grants (Note 2D) | 1,341,005 | 10,062,522 |
| Other income | 4,942,532 | 3,249,451 |
| Total operating revenues (Note 2C) | 97,374,778 | 103,675,312 |
| **OPERATING EXPENSES** | | |
| Property management | | |
| Personnel and fringe benefits | 15,365,935 | 14,523,189 |
| Utilities | 10,791,375 | 12,598,338 |
| Property insurance | 3,888,685 | 3,407,477 |
| Brokerage and leasing | 3,266 | 115,268 |
| Provision for doubtful accounts | (161,634) | 3,780,968 |
| Transportation | 1,804,542 | 1,590,074 |
| Events, programs and exhibits | 231,813 | 136,968 |
| Operating and maintenance | 5,708,742 | 7,054,330 |
| Depreciation and amortization | 33,737,533 | 33,965,765 |
| Total property management | 71,370,257 | 77,172,377 |
| General and administrative | | |
| Personnel and fringe benefits | 11,233,512 | 10,183,094 |
| Other | 8,868,574 | 17,487,129 |
| Total general and administrative | 20,102,086 | 27,670,223 |
| Total operating expenses (Note 2C) | 91,472,343 | 104,842,600 |
| Operating income (loss) | 5,902,435 | (1,167,288) |
| **NONOPERATING INCOME (EXPENSE)** | | |
| Interest expense (Notes 8, 9 and 10) | (18,196,703) | (18,595,611) |
| Forgiveness of debt (Notes 8 and 9) | - | 6,884,539 |
| Interest income (Notes 2I and 4) | 1,092,240 | 646,827 |
| Loss before capital contributions | (11,202,028) | (12,231,533) |
| **CAPITAL CONTRIBUTIONS** | | |
| Funding from The City of New York (Note 11) | 25,682,844 | 19,588,003 |
| Capital grants (Note 11) | - | 460,186 |
| Investor distributions (Note 11) | (198,043) | (665,976) |
| Change in net position | 14,282,773 | 7,150,680 |
| Net position, beginning of year | 431,681,022 | 424,530,342 |
| Net position, end of year | $ 445,963,795 | $ 431,681,022 |

See accompanying notes to the financial statements.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**
**(A COMPONENT UNIT OF THE CITY OF NEW YORK)**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from tenants | $ 78,250,475 | $ 79,724,353 |
| Grants received | 1,341,005 | 10,062,522 |
| Other receipts | 4,533,694 | 4,753,189 |
| Payments to vendors and suppliers | (36,995,214) | (50,411,584) |
| Payments to employees | (19,524,049) | (17,028,082) |
| **Net Cash Provided by Operating Activities** | 27,605,911 | 27,100,398 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Capital contributions | 43,120,267 | 14,345,273 |
| Purchases of capital assets | (32,570,257) | (21,929,507) |
| Proceeds from notes payable and loans payable | 3,556,172 | 1,675,529 |
| Repayments of notes and loans payable | (7,699,684) | (29,351,826) |
| Change in lease liability | 1,783,213 | 1,692,203 |
| Interest expense | (18,196,703) | (18,595,611) |
| **Net Cash Used in Capital and Related Financing Activities** | (10,006,992) | (52,163,939) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest income | 1,092,240 | 646,827 |
| **Net Cash Provided by Investing Activities** | 1,092,240 | 646,827 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 18,691,159 | (24,416,714) |
| Cash and cash equivalents, beginning of year | 32,636,552 | 57,053,266 |
| Cash and cash equivalents, end of year | $ 51,327,711 | $ 32,636,552 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:** | | |
| Operating income (loss) | $ 5,902,435 | $ (1,167,288) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | |
| Depreciation and amortization | 33,737,533 | 33,965,765 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 143,940 | 1,451,081 |
| Lease receivable | 6,172,603 | (17,015,570) |
| Prepaid expenses and other current assets | (574,110) | (194,603) |
| Deferred inflows of resources - rental income | (19,275,960) | (2,826,169) |
| Accounts payable and accrued expenses | (3,383,522) | (194,437) |
| Change in tenant security deposits payable | 126,063 | 323,924 |
| Unearned revenue | 4,756,929 | 12,757,695 |
| Net Cash Provided by Operating Activities | $ 27,605,911 | $ 27,100,398 |
| **RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:** | | |
| Unrestricted cash and cash equivalents | $ 21,226,528 | $ 19,456,873 |
| Restricted cash and cash equivalents | 30,101,183 | 13,179,679 |
| | $ 51,327,711 | $ 32,636,552 |
| **Supplemental Disclosure of Cash Flow Information:** | | |
| Noncash capital and related financing transactions: | | |
| Accrued capital asset expenditures | $ 5,748,649 | $ 2,593,965 |
| Forgiveness of debt | $ - | $ 6,884,539 |

See accompanying notes to the financial statements.

## NOTE 1 – BACKGROUND AND ORGANIZATION

Brooklyn Navy Yard Development Corporation (the “Corporation”) is a not-for-profit corporation formed pursuant to the not-for-profit law of the State of New York (the “State”) and is a public charity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). The members of the Board of Directors (the “Board”) serve at the pleasure of the Mayor of The City of New York (the “City”).

Although legally separate from the City, the City is financially accountable for the Corporation and the Corporation is included in the City’s financial statements as a discretely presented component unit in accordance with Governmental Accounting Standards Board (“GASB”) standards.

The mission of the Corporation is to fuel the City’s economic vitality by creating and preserving quality jobs, growing the City’s modern industrial sector and its businesses, and connecting the local community with the economic opportunity and resources of the Brooklyn Navy Yard (the “Navy Yard”). The Corporation serves as a real estate developer and property manager of the Navy Yard on behalf of the City and strives to provide an environment in which businesses and careers can take root and grow.

### *Lease and Management Contract with The City*

The Corporation’s predecessor-in-interest was organized in 1966. In 1971, it leased the Navy Yard from the City for the purpose of rehabilitating it and attracting new businesses and industry to the area (the “Lease”).

The Lease was amended effective June 1, 1996, to require, among other things, payment of annual base rent by the Corporation in the amount of either (i) 100% of net operating income, or (ii) in such other amount as may be agreed to in writing by the parties with respect to a specific lease year (capitalized terms as defined in the Lease). Under the existing lease agreement between the City and the Corporation, the Lease has a term of 49 years commencing July 1, 2012, with five 10-year extension periods.

The City and the Corporation also entered into annual management contracts whereby, among other provisions, the City funded the improvement, replacement and rehabilitation of the infrastructure in the Navy Yard. The Corporation advanced the funds for capital expenditures, resulting in a grant receivable from the City, which amounted to $3,482,600 and $3,847,005 at June 30, 2023 and 2022, respectively. The Corporation continues to operate under the terms of the management contract for fiscal year 2018 which provides that, if the Corporation maintains a balance of $5,000,000 in its reserve funds (the “City Reserve Fund”), then the annual base rent under the lease for the fiscal year is zero. The City subsequently approved the reduction in the City Reserve Fund to $500,000 and allowed the annual base rent to remain at zero. At both June 30, 2023 and 2022, the reserves have a balance of $500,000.

### *Financial Reporting Entity*

The financial reporting entity consists of a) the primary government, which is the Corporation, b) organizations for which the Corporation is financially accountable and c) other organizations for which the nature and significance of their relationship with the Corporation are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the Corporation for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Corporation’s reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability.

## NOTE 1 – BACKGROUND AND ORGANIZATION (Continued)

The below organizations are included in the Corporation's reporting entity as component units. These organizations have been reported as component units because the Corporation owns a controlling interest in the organizations and is financially accountable for these organizations. The organizations meet the criteria for blending since their governing bodies are substantively the same, and the Corporation holds operational responsibility for the organizations.

***Building 128 Project ("Building 128")***

- On June 19, 2012, the Corporation created the following for-profit companies, under the laws of the State, to rehabilitate a building in the Navy Yard, known as Building 128. Building 128 is a certified historic structure that is eligible for investment tax credits for qualifying rehabilitation expenditures pursuant to Section 47 of the Code.

  GMC Brooklyn, Inc. ("GMC BK") - GMC BK is wholly owned by the Corporation and serves as the managing member of GMC Landlord, LLC and GMC Master Tenant, LLC.

  GMC Landlord, LLC ("GMC Landlord") - GMC Landlord holds a 55-year sublease of Building 128 from the Corporation. GMC Landlord is owned 90% by GMC BK, and 10% by GMC Master Tenant, LLC.

  GMC Master Tenant, LLC ("GMC Master Tenant") - GMC Master Tenant holds a 39-year sublease of the property from GMC Landlord. On August 8, 2013, Brooklyn Navy Yard HTC Investor, LLC ("BNY HTC") was admitted to GMC Master Tenant as a 99% member with the Corporation owning the remaining 1% as managing member. On June 21, 2022, the Corporation purchased the membership interest owned by BNY HTC and now owns 100% of GMC Master Tenant.

***Building 77 Project ("Building 77")***

- Building 77 QALICB, Inc. ("Building 77 QALICB") – Building 77 QALICB was formed in 2014 with the Corporation as the sole member. Building 77 QALICB was formed for the purpose of rehabilitating and operating Building 77. Building 77 is owned by the City and leased by the Corporation, which in turn has leased the property to Building 77 QALICB. Building 77 QALICB subleases the property to commercial tenants. Building 77 QALICB is exempt from income tax under Section 501(c)(3) of the Code.

***Building 127 Project ("Building 127")***

- Building 127 LL, Inc. ("127 LL") – 127 LL was formed on August 15, 2018, as a New York nonprofit corporation and the Corporation is the sole member of 127 LL. 127 LL has applied to be exempt from tax under Section 501(c)(3) of the Code. 127 LL was formed as part of the Corporation's efforts to renovate Building 127, an industrial facility, that is a certified historic structure and is eligible for investment tax credits for qualifying rehabilitation expenditures pursuant to Section 47 of the Code. 127 LL will engage solely in the facilitation of financing for redevelopment and subsequent leasing of Building 127.

- 127 Manager, Inc. ("127 Manager") – 127 Manager was formed on December 15, 2017 in connection with the Building 127 tax credit financing structure. The Corporation is the sole shareholder of 127 Manager.

## NOTE 1 – BACKGROUND AND ORGANIZATION (Continued)

- Building 127 Master Tenant, LLC ("127 MT") – 127 MT was formed as a limited liability company under the laws of the State on December 15, 2017. 127 Manager is the managing member of, and owns a 1% interest in, 127 MT. 127 MT's operating agreement was amended and restated on December 29, 2017 to admit Chase Community Equity LLC as the investor member which owns a 99% interest in 127 MT.

- Building 127 QALICB, LLC ("127 QALICB") – 127 QALICB was formed as a limited liability company under the laws of the State on December 29, 2017. 127 Manager is the sole member of 127 QALICB.

### *Single Member LLCs*

- On November 3, 2016, the Corporation created the following limited liability companies under the laws of the State for the purposes of subleasing to those companies certain Corporation leases with commercial tenants: BNY 10 LLC ("BNY10"), BNY 121/Gatehouse LLC ("BNY21/Gatehouse"), BNY 25/268 LLC ("BNY 25/268"), BNY 500 LLC ("BNY 500") and BNY Waterfront LLC ("BNY Waterfront"). On December 22, 2016, BNY 10, BNY 121/Gatehouse, BNY 25/268, and BNY 500 entered into a $30,750,000 loan agreement with Webster Bank ("Webster"), formerly known as Sterling National Bank, and BNY Waterfront entered into a $31,680,000 loan agreement with Symetra Life Insurance Company ("Symetra"). The companies' respective interests in the sublessees with the Corporation collateralize, among other security instruments, the loan agreements.

- On August 4, 2020, the Corporation formed the following limited liability companies organized under the law of the State for purposes of subleasing to those companies certain Corporation leases with certain commercial tenants: BNY 72, LLC, BNY S 1/6, LLC, and BNY S 25/30 LLC. On September 4, 2020, BNY 72, LLC, BNY S 1/6, LLC, BNY S 25/30 LLC, each as a borrower, entered into a $58,000,000 loan agreement with The Variable Annuity Life Insurance Company, as lender. The respective interests of BNY 72, LLC, BNY S 1/6, LLC, and BNY S 25/30 LLC in those subleases collateralize, among other security instruments, the loan agreement.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. *Measurement Focus and Basis of Accounting*

The Corporation's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period they are earned, and expenses are recognized in the period they are incurred. In its accounting and financial reporting, the Corporation follows the pronouncements of the GASB.

### B. *Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. *Revenue and Expense Classification*

The Corporation distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from its real estate and related activities. The principal operating revenues consist of rents, lease-related charges for insurance and utilities, and grants and contributions received and available for operating activities. The Corporation's operating expenses include property management and general and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### D. *Revenue Recognition*

***Rent***

As required by U.S. GAAP, the Corporation recognizes a lease receivable and a deferred inflow of resources. The lease receivable is amortized over the life of the lease and interest revenue is recognized over the term of the lease. Rental revenue is recognized in a systematic and rational manner (typically straight-line) over the term of the lease and the deferred inflow of resources is reduced in the same manner.

***Grants and Contributions***

Grants and contributions are recorded when received at their fair value. Contributions received without donor-imposed restrictions are reported under operating revenues.

Capital contributions from investors are recorded as non-operating revenue in the period received. City capital contributions for Navy Yard capital infrastructure replacement and rehabilitation, and grants received for restricted purposes, such as improvements and rehabilitation of Navy Yard facilities, are deferred and recognized as non-operating revenue when the related expenditures are incurred.

### E. *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and in banks, money market funds, money market deposit accounts and highly liquid debt instruments with maturities of three months or less from date of acquisition.

### F. *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for doubtful accounts based on its assessment of the collectability of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the respective accounts receivable account.

### G. *Prepaid Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying statements of net position.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### H. *Fair Value Measurements*

The Corporation categorizes its fair value measurements within the fair value hierarchy established under U.S. GAAP. The hierarchy is based on valuation inputs used to measure fair value of assets and liabilities as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II inputs are significant other observable inputs, either directly or indirectly, for the asset or liability.
- Level III inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Corporation's assets reported at fair value are disclosed in Note 3.

### I. *Community Development Notes Receivable*

Notes receivable are carried at their uncollected principal balance. Interest income on the notes is accrued at the contractual rate on the principal amount outstanding. The Corporation routinely evaluates the creditworthiness of its borrowers and establishes reserves where the Corporation believes collectability is no longer reasonably assumed. Notes receivable are written down once management determines that the specific borrower does not have the ability to repay the note in full. Allowances for credit losses and doubtful accounts are maintained in amounts considered to be appropriate in relation to the notes receivable outstanding based on collection experience, economic conditions and credit risk quality. Delinquency is the primary indicator of credit quality. As of June 30, 2023 and 2022, no allowance for loan losses was recorded for the Corporation's notes receivable.

### J. *Capital Assets and Lease Assets*

Machinery, office equipment, leasehold improvements/buildings and water/sewer systems are recorded at cost. Maintenance and repairs are charged to operations as incurred.

Depreciation and amortization is computed using the straight-line method based upon estimated useful lives as follows:

| Asset | Years |
|---|---|
| Machinery and vehicles | 3 |
| Office equipment | 2-5 |
| Leasehold improvements/buildings | 21-50 |
| Tenant improvements | Life of lease |
| Water/sewer systems | 21-75 |
| Lease assets | Life of lease |

### K. *Unearned Revenues*

Unearned revenues arise when assets are received before a revenue recognition criterion has been satisfied. Unearned revenues include amounts received in advance and/or amounts from grants received before the eligibility requirements have been met.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### L. *Net Position*

The Corporation's net position is classified in the following categories: net investment in capital assets; restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of amounts restricted for specific purposes by law or by parties external to the Corporation. Unrestricted net position consists of amounts that are not classified as net investment in capital assets or restricted. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, consistent with any respective restrictions, and then to use unrestricted resources as they are needed.

### M. *New Accounting Pronouncements*

During the year ended June 30, 2023, the Corporation adopted the following GASB statements:

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements ("Arrangements")*, ("GASB 94") is effective for fiscal years beginning after June 15, 2022. Arrangements in which a government contracts with an operator to provide public services by conveying the right to operate or use a nonfinancial asset for a period of time is considered a Public-Private or Public-Public Partnership. Arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating a nonfinancial asset is considered an Availability Payment Arrangement ("APA"). The accounting for Public-Private or Public-Public Partnerships ("PPP") is defined in GASB 94 and will vary depending on whether the arrangement meets the definition of a Service Concession Arrangement. APAs where ownership transfers by the end of the contract will be accounted for as a financed purchase of that underlying asset. The Corporation does not hold any agreements which meet the definition of a PPP or APA, and therefore GASB 94 had no effect on the Corporation's financial statements.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, ("GASB 96") is effective for fiscal years beginning after June 15, 2022. Similar to the principles used in GASB 87, GASB 96 provides the guidance for accounting and financial reporting for subscription-based information technology arrangements or "SBITAs". The Statement defines SBITAs as a contract that conveys control of the right to use another party's information technology software, either alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The accounting will result in the recognition of a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. GASB 96 also provides guidance for other costs that are not subscription payments, such as implementation costs, and requires certain note disclosures regarding SBITAs. The Corporation had no material agreements that met the definition of a SBITA under GASB 96.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, ("GASB 97"). GASB 97 has multiple effective dates depending on specific paragraphs of the standard. Paragraph 4 of the Statement, which pertains to defined contribution pension and OPEB plans, is effective immediately. Paragraphs 6 through 9 of the Statement, which pertain to the supersession of GASB 32, are effective for fiscal years beginning after June 15, 2021, and the remaining requirements of the Statement are effective for reporting periods beginning after June 15, 2021. Paragraph 4 of the Statement requires that when determining whether the primary government is financially accountable as a potential component unit the absence of a governing board should be treated the same as appointing the voting majority if the primary government performed the duties a governing board would typically perform, except when considering a defined contribution pension or OPEB plans. Paragraphs 6 through 9 define the reporting rules for a Section 457 plan requiring that GASB 84 be applied to determine if the plan is a fiduciary activity, and then further if the plan meets the definition of a pension plan, then reporting requirements of GASB 68 or 73 should be applied (instead of those in GASB 84). GASB 97 also explains that the financial burden criteria in GASB 84 is applicable only to defined benefit pension plans and defined benefit OPEB plans administered through a trust. GASB 97 did not have an impact on the Corporation's financial statements.

Other accounting pronouncements which may impact the Corporation in future years are as follows:

- GASB Statement No. 99, *Omnibus 2022,* has multiple effective dates depending on the Statement of the standard. This Statement addresses numerous accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Corporation has not completed their evaluation of GASB 99 but does not anticipate any material impact.
- GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* ("GASB 100"), has been issued to help enhance 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. GASB 100 defines accounting changes, addresses corrections of errors in previously issued financial statements, and prescribes accounting and financial reporting for both. GASB 100 also addresses how information that is affected by a change in accounting or error correction should be presented in the required supplementary information explaining that the information should be restated for error corrections but not for changes in accounting principles. The requirements of GASB 100 are effective for fiscal years beginning after June 15, 2023. The Corporation has not completed their evaluation of GASB 100 but does not anticipate any material impact.
- GASB Statement No. 101, *Compensated Absences* ("GASB 101"), has been issued to align the recognition and measurement guidance of compensated absences. GASB 101 requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled otherwise. GASB 101 also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023. The Corporation has not completed their evaluation of GASB 101 but does not anticipate any material impact.

## NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of June 30:

| | 2023 | 2022 |
|---|---|---|
| **Current Assets** | | |
| Unrestricted Cash and Cash Equivalents | | |
| Cash | $ 14,139,435 | $ 16,909,483 |
| Cash Equivalents (U.S. Government Money Market Fund) | 7,087,093 | 2,547,390 |
| | 21,226,528 | 19,456,873 |
| **Noncurrent Assets** | | |
| Restricted Cash and Cash Equivalents | | |
| Cash | 549,246 | 917,961 |
| Cash Equivalents (U.S. Government Money Market Fund) | 29,551,937 | 12,261,718 |
| | 30,101,183 | 13,179,679 |
| **Total Cash and Cash Equivalents** | | |
| Cash | 14,688,681 | 17,827,444 |
| Cash Equivalents (U.S. Government Money Market Fund) | 36,639,030 | 14,809,108 |
| | $ 51,327,711 | $ 32,636,552 |

### *Fair Value Hierarchy*

The Corporation had the following recurring fair value measurements (see Note 2H) as of June 30:

U.S. Government money market funds of $36,639,030 and $14,809,108 as of June 30, 2023 and 2022, respectively, are valued based upon quoted prices in active markets (Level 1).

### *Investment Policy*

Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, certificates of deposit and bank deposits with financial institutions that are covered by federal depository insurance, money market mutual funds, corporate and bank issued securities and commercial paper. The objective of these investments is to preserve capital, maintain liquidity and mitigate credit and interest rate risk. As of June 30, 2023 and 2022, cash and cash equivalents consisted of bank deposits and U.S. government money market mutual funds and, accordingly, the Corporation was not exposed to any interest rate or credit risk.

### *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the Corporation may not be able to recover its deposits that are in the possession of an outside party.

The Corporation has entered into a custodial agreement (the "Agreement") with JP Morgan Chase Bank, N.A. (the "Bank"), in which the Bank will hold eligible securities consisting of U.S. Treasury Notes, pledged by the Bank as collateral for the benefit of the Corporation, pursuant to the Agreement for any uninsured deposits of the Corporation.

As of June 30, 2023, the bank deposit balances were held with four banks and amounted to $15,469,641, of which $2,511,531 was covered by federal depository insurance and $11,822,058 was collateralized. The remaining balance of $1,367,900 was uninsured and uncollateralized and exposed to custodial credit risk.

**NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)**

Restricted cash and cash equivalents consisted of the following as of June 30:

| | | 2023 | 2022 |
|---|---|---|---|
| **BNYDC** | | | |
| City capital funds | **A** | $ 28,995,552 | $ 11,724,492 |
| City reserve | | 556,385 | 537,227 |
| Other | | - | 77,956 |
| | | 29,551,937 | 12,339,675 |
| **Building 127** | | | |
| Construction reserve | **C** | 101,179 | 101,179 |
| Fee and expense reserves | **B** | 448,067 | 647,767 |
| | | 549,246 | 748,946 |
| **Building 128** | | | |
| Lease up reserve | **D** | - | 79,913 |
| Fee and expense reserves | **B** | - | 88 |
| Operating reserve | | - | 11,057 |
| | | - | 91,058 |
| | | $ 30,101,183 | $ 13,179,679 |

**A.** The City capital funds as of June 30, 2023 and 2022 primarily consist of capital funds advanced by the City for various reconstruction projects amounting to $28.9 million and $11.7 million and for the multiple other infrastructure projects throughout the Navy Yard.

**B.** In accordance with the loan agreements, the Corporation was required to establish interest reserves and fee and expense reserve accounts prior to the initial release of the loans. The reserves are to be used for the payments of quarterly interest, fees and other expenses related to the loans.

**C.** The proceeds of the loans were deposited into a construction reserve for the purpose of funding development costs for the project.

**D.** GMC Master Tenant was required to fund the lease-up reserve out of the capital contributions in the amount of $3,500,000. All interest earnings on the lease-up reserve shall be retained in the account. Withdrawals from the lease-up reserve may be made to pay operating deficits. Withdrawals from the lease-up reserve shall be approved by the investor member. The lease-up reserve shall be released in increments until the master lease payment coverage ratio (operating income divided by the master lease payment for a given period) is no less than 1 to 1.

## NOTE 4 – COMMUNITY DEVELOPMENT NOTES RECEIVABLE

Community development notes receivable consisted of promissory notes for loans extended to the following entities as of June 30:

| Borrower | 2023 | 2022 |
|---|---|---|
| Building 127 NMTC Investment Fund LLC ("127 NMTC") | $ 24,953,000 | $ 24,953,000 |

**77 NMTC**

On December 22, 2014, the Corporation extended a loan to 77 NMTC in the amount of $10,337,861 to fund 77 NMTC's equity investment in certain community development entities ("CDEs") that provided funding for the rehabilitation of Building 77. The loan bears interest at the rate of 1.288% a year. From December 22, 2014 to January 1, 2022 (the "Amortization Date"), interest only on the principal balance accrued during the respective preceding calendar quarters shall be payable on January 10, April 10, July 10 and October 10. Any unpaid and accrued interest on the loan shall be added to the principal.

Interest income on the loan, which is included in interest income in the accompanying statements of revenues, expenses and changes in net position, amounted to $0 and $92,097 for the years ended June 30, 2023 and 2022, respectively. Accrued interest receivable at June 30, 2023 and 2022, which is included in prepaid expenses and other current assets in the accompanying statements of net position, amounted to $0.

In March 2022, the Corporation assumed the debt of Building 77 QALICB payable to the community development entities, equal to the amount of its leverage loan of $10,337,861. See Note 9.

**77 Eastern**

On May 26, 2016, the Corporation extended a loan to 77 Eastern in the amount of $5,456,322 to fund certain reserves, pay for certain fees and make a one-time special return of capital to an investor who financed 77 Eastern's equity investment in a CDE ("Eastern CDE Investment"). The Eastern CDE Investment provided the funding for the rehabilitation of certain improvements into approximately 1,000,000 square feet of office, light industrial and retail space in the Navy Yard.

The loan bears interest at the rate of 1.00% a year. From May 26, 2016 to January 10, 2022, interest only on the principal balance accrued during the respective preceding calendar quarters shall be payable on January 10, April 10, July 10 and October 10. Any unpaid and accrued interest on the loan shall be added to the principal.

Interest income on the loan, which is included in interest income in the accompanying statements of revenues, expenses and changes in net position, amounted to $0 and $37,740 for the years ended June 30, 2023 and 2022, respectively. Accrued interest receivable at June 30, 2023 and 2022, which is included in prepaid expenses and other current assets in the accompanying statements of net position, amounted to $0.

In March 2022, the Corporation assumed the debt of Building 77 QALICB payable to the community development entities, equal to the amount of its leverage loan of $5,456,322. See Note 9.

## NOTE 4 – COMMUNITY DEVELOPMENT NOTES RECEIVABLE (Continued)

### 127 NMTC

On September 21, 2018, the Corporation extended a loan to 127 NMTC in the amount of $24,953,000. The loan bears interest at the rate of 1.00% per annum. The loan is secured by 127 NMTC's bank account pledge agreement. Commencing December 25, 2018, payments of interest only are due and payable quarterly. Commencing June 25, 2026, payments of principal and interest are due and payable quarterly in an amount to fully repay the loan by the maturity date of March 25, 2043.

Interest income on the loan, which is included in interest income in the accompanying statements of revenues, expenses and changes in net position, amounted to $249,530 during each of the years ended June 30, 2023 and 2022.

### Maturities of Notes Receivable

The aggregate annual maturities of the notes receivable for the fiscal years ended June 30 are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ - | $ 249,530 | $ 249,530 |
| 2025 | - | 249,530 | 249,530 |
| 2026 | 15,801,756 | 132,956 | 15,934,712 |
| 2027 | 521,289 | 89,562 | 610,851 |
| 2028 | 526,521 | 84,329 | 610,850 |
| 2029-2033 | 2,712,950 | 341,302 | 3,054,252 |
| 2034-2038 | 2,851,868 | 202,384 | 3,054,252 |
| 2039-2043 | 2,538,616 | 57,499 | 2,596,115 |
| | $ 24,953,000 | $ 1,407,092 | $ 26,360,092 |

## NOTE 5 – CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2023:

| | Balance 6/30/22 | Additions | Deductions/ Reclassifications | Balance 6/30/23 |
|---|---|---|---|---|
| Nondepreciable: | | | | |
| Construction in progress | $ 16,110,639 | $ 30,247,145 | $ (20,538) | $ 46,337,246 |
| Total nondepreciable capital assets | 16,110,639 | 30,247,145 | (20,538) | 46,337,246 |
| Depreciable: | | | | |
| Leasehold improvements, including buildings and water and sewer systems | 849,151,829 | 550,377 | (20,927) | 849,681,279 |
| Machinery and vehicles | 4,447,984 | 154,815 | (218,801) | 4,383,998 |
| Office equipment | 2,451,774 | 250,226 | (1,500) | 2,700,500 |
| Total depreciable capital assets | 856,051,587 | 955,418 | (241,228) | 856,765,777 |
| Less: accumulated depreciation and amortization: | | | | |
| Leasehold improvements, including buildings and water and sewer systems | 310,372,943 | 28,749,133 | (20,611) | 339,101,465 |
| Machinery and vehicles | 3,871,527 | 159,609 | - | 4,031,136 |
| Office equipment | 2,374,873 | 64,860 | - | 2,439,733 |
| Total accumulated depreciation and amortization | 316,619,343 | 28,973,602 | (20,611) | 345,572,334 |
| Lease assets being amortized, net | 185,809,309 | - | (4,764,341) | 181,044,968 |
| Total net depreciable capital assets | 725,241,553 | | | 692,238,411 |
| Total net capital assets | $ 741,352,192 | | | $ 738,575,657 |

## NOTE 5 – CAPITAL ASSETS (Continued)

The following is a summary of capital asset activity for the year ended June 30, 2022:

| | Balance 6/30/21 | Additions | Deductions/ Reclassifications | Balance 6/30/22 |
|---|---|---|---|---|
| Nondepreciable: | | | | |
| Construction in progress | $ 6,212,758 | $ 23,715,691 | $ (13,817,810) | $ 16,110,639 |
| Total nondepreciable capital assets | 6,212,758 | 23,715,691 | (13,817,810) | 16,110,639 |
| Depreciable: | | | | |
| Leasehold improvements, including buildings and water and sewer systems | 835,237,123 | 13,914,706 | - | 849,151,829 |
| Machinery and vehicles | 3,958,126 | 489,858 | - | 4,447,984 |
| Office equipment | 2,390,552 | 61,222 | - | 2,451,774 |
| Total depreciable capital assets | 841,585,801 | 14,465,786 | - | 856,051,587 |
| Less: accumulated depreciation: and amortization: | | | | |
| Leasehold improvements, including buildings and water and sewer systems | 281,487,470 | 28,885,473 | - | 310,372,943 |
| Machinery and vehicles | 3,656,053 | 215,474 | - | 3,871,527 |
| Office equipment | 2,274,396 | 100,477 | - | 2,374,873 |
| Total accumulated depreciation and amortization | 287,417,919 | 29,201,424 | - | 316,619,343 |
| Lease assets being amortized, net | 190,573,650 | - | (4,764,341) | 185,809,309 |
| Total net depreciable capital assets | 744,741,532 | | | 725,241,553 |
| Total net capital assets | $ 750,954,290 | | | $ 741,352,192 |

## NOTE 6 – UNEARNED REVENUES

Unearned revenues consisted of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Currently with the City for the rehabilitation of capital assets | $ 28,984,440 | $ 11,713,380 |
| Cogeneration Partners | 11,112 | 11,112 |
| Total | $ 28,995,552 | $ 11,724,492 |

## NOTE 7 – LONG-TERM LIABILITIES

The following summarizes the changes in the Corporation's long-term liabilities for the year ended June 30, 2023:

| | Balance 7/1/2022 | Increases | Reductions | Balance 6/30/2023 | Due Within One Year | Due After One Year |
|---|---|---|---|---|---|---|
| Tenant's security deposits | $ 10,880,756 | $ 571,595 | $ - | $ 11,452,351 | $ - | $ 11,452,351 |
| Unearned revenues | 11,724,492 | 44,520,390 | 27,249,330 | 28,995,552 | 28,995,552 | - |
| Development loans payable | 165,236,013 | - | 1,931,535 | 163,304,478 | 3,480,119 | 159,824,359 |
| Community development notes payable | 35,330,000 | - | - | 35,330,000 | - | 35,330,000 |
| Construction loan payable | 3,109,110 | - | 1,491,060 | 1,618,050 | 1,527,852 | 90,198 |
| Lease liability | 197,730,484 | 1,783,213 | - | 199,513,697 | - | 199,513,697 |
| Other long-term liabilities | 720,917 | - | 720,917 | - | - | - |
| Total long-term liabilities | $ 424,731,772 | $ 46,875,198 | $ 31,392,842 | $ 440,214,128 | $ 34,003,523 | $ 406,210,605 |

The following summarizes the changes in the Corporation's long-term liabilities for the year ended June 30, 2022:

| | Balance 7/1/2021 | Increases | Reductions | Balance 6/30/2022 | Due Within One Year | Due After One Year |
|---|---|---|---|---|---|---|
| Tenant's security deposits | $ 9,356,856 | $ 1,523,900 | $ - | $ 10,880,756 | $ - | $ 10,880,756 |
| Unearned revenues | 26,626,589 | 12,314,868 | 27,216,965 | 11,724,492 | 11,724,492 | - |
| Development loans payable | 166,852,763 | 336,025 | 1,952,775 | 165,236,013 | 3,064,873 | 162,171,140 |
| Community development notes payable | 58,030,000 | - | 22,700,000 | 35,330,000 | - | 35,330,000 |
| Construction loan payable | 4,564,265 | - | 1,455,155 | 3,109,110 | 1,491,060 | 1,618,050 |
| Lease liability | 196,038,281 | 1,692,203 | - | 197,730,484 | - | 197,730,484 |
| Other long-term liabilities | 720,917 | - | - | 720,917 | - | 720,917 |
| Total long-term liabilities | $ 462,189,671 | $ 15,866,996 | $ 53,324,895 | $ 424,731,772 | $ 16,280,425 | $ 408,451,347 |

## NOTE 8 – DEVELOPMENT LOANS PAYABLE

Development loans payable consisted of the following as of June 30:

| Lender | 2023 | 2022 |
|---|---|---|
| The Variable Annuity Life Insurance Company ("VALIC $58,000,000 Loan") | $ 58,000,000 | $ 58,000,000 |
| NYCRC Brooklyn Navy Yard Development Fund, IV, LLC ("NYCRC $30,000,000 Loan") | 30,000,000 | 30,000,000 |
| Webster Bank (formerly Sterling National Bank) ("Webster Loan") | 28,334,142 | 28,914,309 |
| Symetra Life Insurance Company ("Symetra Loan") | 26,132,043 | 27,353,779 |
| Building 127: | | |
| GSUIG Real Estate Member LLC | 17,734,158 | 17,844,500 |
| GSUIG Real Estate Member LLC Line of Credit | 3,104,135 | 3,123,425 |
| | $ 163,304,478 | $ 165,236,013 |

### VALIC $58,000,000 Loan

On September 4, 2020, BNY S 1/6, LLC, BNY S 25/30 LLC and BNY 72, LLC, individually and collectively as Borrowers, entered into a loan agreement with The Variable Annuity Life Insurance Company, as lender, for a total loan amount of $58,000,000, the proceeds of which have been used to refinance an existing loan made by NYCRC Brooklyn Navy Yard Development Fund, LLC and will provide additional working capital for other Corporation uses.

Borrowers shall be deemed to refer to each as Stages 1-6 Borrower, Stages 25-30 Borrower and Dock 72 Borrower. Of the $58,000,000, BNY S 1/6, LLC (“Stages 1-6 Borrower”) obtained a principal loan of $11,895,713, BNY S 25/30 LLC (“Stages 25-30 Borrower”) obtained a principal loan of $6,115,875 and BNY 72, LLC (“Dock 72 Borrower”) obtained a principal loan of $39,988,412.

The loan agreement provides for interest at a fixed rate of 3.85% per annum with a maturity date of September 4, 2040. Interest only on the principal loan is payable during (a) the stub interest period, which is the closing date through and including September 30, 2020, and (b) interest only period, which begins November 1, 2020, and ends on the payment date that is 36 calendar months following the expiration of the stub interest period.

Payments on the loan will be as follows:

- On each payment date during the interest only period, payments of interest only on the principal shall be payable in arrears, in the amount of (i) $38,165 each under the Stages 1-6 Borrower note; (ii) $19,622 each under the Stages 25-30 Borrower note and (iii) $128,296 each under the Dock 72 Borrower note.

- Commencing on the first payment date immediately succeeding the expiration of the interest only period and on each payment date thereafter, combined payments of principal and interest shall be payable in arrears, in the amount of (i) $55,768 each under the Stages 1-6 Borrower note; (ii) $28,672 each under the Stages 25-30 Borrower note; and (iii) $187,469 each under the Dock 72 Borrower note.

## NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

### VALIC $58,000,000 Loan (Continued)

The Borrowers shall have no right to prepay all or any part of the principal during the lockout expiration date, which is the payment date that is 24 calendar months from and after the first day immediately following the stub interest period. At any time after the lockout expiration date, the Borrowers shall have the right to prepay the principal, in whole, but not in part, and all other amounts due under the agreement, together with all accrued but unpaid interest thereon as of the date of prepayment, subject to terms of the agreement.

Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $2,233,000 and $2,233,601, for years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, accrued interest amounted to $186,083.

The loan is collateralized by Stages 1-6 Borrower, Stages 25-30 Borrower and Dock 72 Borrower's (i) leasehold interests in properties leased from the Corporation and assignment of all gross revenue due or payable for the occupancy of use of the properties, and all leases, whether oral or written, with all security therefor, including all guaranties thereof.

### NYCRC $30,000,000 Loan

On July 15, 2015, the Corporation entered into a credit agreement with the NYCRC Brooklyn Navy Yard Development Fund IV, LLC to borrow $30,000,000 to finance improvements to Building 77 in the Navy Yard. The credit agreement provides for interest at a fixed rate of 4.20% per annum. Except as provided in the agreement, the loan is due on the fifth anniversary date of the first loan draw, which occurred on May 10, 2017 (the "Maturity Date"). The loan may not be prepaid, in whole or in part, prior to the Maturity Date. The Maturity Date may be extended from time to time up to an additional five years (the "Outside Payment Date"), subject to certain terms and conditions, including the interest rate of 4.2% per annum and an ability to prepay the loan during the period between the Maturity Date and the Outside Payment Date. Payments due during the term of the loan consist of interest only, payable quarterly, on the outstanding balance until the maturity date at which time principal is payable.

Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $704,967 and $1,277,500 during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there was no accrued interest.

The loans are collateralized by an assignment of certain deposit account with a bank, the Corporation's interest in a contribution agreement with Building 77 QALICB, and, subject to certain subordination and inter-creditor agreements, the Corporation's security interest in deposit accounts, current and future accounts, receivables and contract rights, personal and fixture property of every kind and nature, whether currently owned or existing or subsequently acquired or arising and regardless of where located and all products, proceeds, substitutions, accessions and replacements thereof with respect to Building 77.

## NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

### Webster Loan

On December 22, 2016, BNY 10, BNY 121/Gatehouse, BNY 25/268 and BNY 500 (collectively, the "Webster Borrowers") entered into a loan agreement with Webster, formerly known as Sterling National Bank to finance the payment of $30,000,000 of the Corporation's NYCRC $60,000,000 Loan and pay for the closing costs.

The loan bears interest at the rate of 4.448% per annum and is payable as follows:

- Interest only beginning January 15, 2017 and on the 15th of each succeeding month through December 15, 2018
- Principal and interest of $156,041 beginning on January 15, 2019 and on the 15th of each succeeding month through December 15, 2031

The loan may be prepaid, subject to prepayment premium ranging from 1% to 5% if the prepayment occurs during the first 10 years of the loan.

Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $1,292,186 and $1,317,683 during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there was no accrued interest.

The loan is collateralized by, among other security, the following: (i) grant to Webster by the Webster Borrowers of an ongoing security interests in various assets pursuant to security agreement between Webster and the Webster Borrowers; (ii) assignment to Webster of the Corporation's membership interests in the Webster Borrowers; (iii) assignment to Webster of all of the Webster Borrowers' right, title and interest in and to all leases, rents, income and profits arising from all current and future leases, subleases, tenancies, occupancy agreements and licenses with respect to certain premises pursuant to an assignment of leases and rents agreements among Webster, the Webster Borrowers and the Corporation; and (iv) and mortgage of such premises to Webster.

### Symetra Loan

On December 22, 2016, BNY Waterfront received a loan under a real estate note (the "Note") in the amount of $31,680,000 to refinance $30,000,000 of the NYCRC $60,000,000 Loan and pay for the loan costs. The note bears interest at 4.15% per annum and is payable as follows:

- At closing, interest from the date of loan through January 15, 2017
- Monthly interest only payments of $109,560 beginning February 15, 2017 and on the 15th of each succeeding month through July 15, 2018
- 239 monthly payments of principal and interest of $194,488 beginning on August 15, 2018 and on the 15th of each succeeding month through July 15, 2038

The loan may be prepaid in full (but not in part), subject to prepayment premium calculated at the greater of (a) 1% of the principal prepaid or (b) the excess over the prepaid principal amount of the present value of the remaining principal and interest payments calculated using a discount rate as defined in the Note.

Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $1,112,117 and $1,161,698 during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there was no accrued interest.

The loan is collateralized by a security instrument executed by BNY Waterfront and the Corporation, collectively, as mortgagor, in favor of Symetra, irrevocably mortgaging to Symetra the mortgagor's ongoing interest under a certain lease dated December 22, 2016 between the Corporation (as ground lessor) and BNY Waterfront with respect to certain premises described in the security agreement.

## NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

### GSUIG Real Estate Member LLC

On September 21, 2018, the Corporation entered into a promissory note with GSUIG Real Estate Member LLC in the amount of $17,844,500. The loan is secured by the assets of the Corporation. The note bears interest at a rate of 6.5% per annum. Quarterly payments of interest only are due commencing on December 31, 2018. Beginning March 21, 2021, quarterly payments of principal and interest of $400,181 were due through maturity on March 31, 2026. Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $1,159,892 during each of the years ended June 30, 2023 and 2022. As of June 30, 2023 and 2022, there was no accrued interest.

### GSUIG Real Estate Member LLC (Line of Credit)

On September 21, 2018, the Corporation entered into a line of credit note with GSUIG Real Estate Member LLC. The loan agreement provides for up to $5,000,000 and is secured by the assets of the Corporation. The loan bears an interest rate of 6.50% per annum. In addition, the note bears interest of 0.75% per annum on the undrawn portion of the loan. The terms of the note provide for quarterly payments of interest only commencing on September 30, 2018. Beginning March 21, 2021 and on every June 30, September 30, December 31, and March 31 thereafter, quarterly payments of principal and interest will be due through maturity on March 31, 2026. Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $217,097 and $217,402 during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there was no accrued interest.

### Webster Bank (formerly Sterling National Bank) Line of Credit

On October 25, 2017, the Corporation entered into a revolving line of credit agreement with Webster, formerly known as Sterling National Bank in the amount of $5,000,000. On February 25, 2019, the Corporation amended this line of credit agreement to increase the maximum borrowing amount to $10,000,000. The proceeds of the line of credit shall be used by the Corporation solely for working capital purposes, including to finance tenant improvements, to bridge projects to be funded by the City until such funds are received, and other general corporate purposes of the Corporation. Such borrowings are secured by the assets of the Corporation. Interest on the unpaid principal amount is charged at a rate per annum equal to the greater of (i) the prime rate plus 0.25% or (ii) 4.00%. The unpaid principal amount of the Revolving Loans and all interest accrued thereon and costs and expenses then due and owing shall be paid by the Corporation in a single installment on the maturity date of February 28, 2021. During fiscal year 2021, the line of credit was paid in full. Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $209,318 during the year ended June 30, 2021.

On May 11, 2023, the Corporation closed on a new $10,000,000 line of credit with Webster (formerly Sterling National Bank) for a term of one year, at an interest rate equal to the greater of (i) 4.00% of (ii) lender's prime rate plus 0.25%. This line of credit is secured by an assigned of rents from Building 292. There was no outstanding balance as of June 30, 2023.

## NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

### Maturities of Development Loans Payable

The aggregate annual principal and interest due on the development loans payable, assuming no extensions of maturity dates with respect to the NYCRC $30,000,000 loan, are as follows for the years ended June 30:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 3,480,119 | $ 5,862,523 | $ 9,342,642 |
| 2025 | 33,673,032 | 5,669,609 | 39,342,641 |
| 2026 | 6,718,794 | 5,423,891 | 12,142,685 |
| 2027 | 3,983,245 | 5,079,212 | 9,062,457 |
| 2028 | 4,191,728 | 4,870,730 | 9,062,458 |
| 2029-2033 | 24,441,257 | 20,871,032 | 45,312,289 |
| 2034-2038 | 30,799,164 | 14,513,124 | 45,312,288 |
| 2039-2043 | 19,706,657 | 9,159,340 | 28,865,997 |
| 2044-2048 | 20,346,432 | 5,313,949 | 25,660,381 |
| 2049-2053 | 15,964,050 | 1,497,362 | 17,461,412 |
| | $ 163,304,478 | $ 78,260,772 | $ 241,565,250 |

The Corporation's loan agreements include provisions, that in the event of payment or other material defaults which are not cured within any applicable cure periods, that the respective lenders may accelerate and declare the remaining unpaid debt to be immediately due and payable.

## NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE

Community development notes payable represent promissory notes issued by Building 77 QALICB and 127 QALICB to the following community development entities ("CDE Lenders") and consisted of the following as of June 30:

| BNYDC Entity/CDE Lender | 2023 | 2022 |
|---|---|---|
| 127 QALICB promissory notes dated September 21, 2018 ("127 2018 Notes") | | |
| GSNMF Sub-CDE 29 LLC ("GSNMF-29") | | |
| GSNMF-29 Loan A | $ 3,364,306 | $ 3,364,306 |
| GSNMF-29 Loan B | 1,635,694 | 1,635,694 |
| CDE 41 LLC ("MBS") | | |
| MBS Loan A | 4,780,028 | 4,780,028 |
| MBS Loan B | 2,079,972 | 2,079,972 |
| NYCR SUB-CDE 1, LLC ("NYCR") | | |
| NYCR Loan A | 8,524,333 | 8,524,333 |
| NYCR Loan B | 3,235,667 | 3,235,667 |
| NYCNCC Sub-CDE 5, LLC ("NYCNCC") | | |
| NYCNCC Loan A | 4,920,028 | 4,920,028 |
| NYCNCC Loan B | 1,939,972 | 1,939,972 |
| *DVCI CDE XLIV, LLC ("DVCI XLIV")* | | |
| DVCI XLIV Loan A | 3,364,305 | 3,364,305 |
| DVCI XLIV Loan B | 1,485,695 | 1,485,695 |
| | $ 35,330,000 | $ 35,330,000 |

**NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)**

**Building 77 2014 Notes**

On December 22, 2014, Building 77 QALICB entered into a loan agreement with GSNMF-17 and DVCI XXIV to finance improvements to a building in the Navy Yard ("Building 77"). The loan agreement is collateralized by the building of the Corporation and consists of four promissory notes as listed above. Each of the promissory notes bear interest at 1% per annum. From December 22, 2014, interest only on the principal balance accrued during the respective preceding calendar quarters shall be payable on January 5, April 1, July 1 and October 1. Commencing April 1, 2022 and continuing every July 1, October 1, January 5 and April 1 thereafter up to and including the maturity date on October 1, 2049, quarterly payments of principal and interest shall be due on each of the promissory notes as follows: $35,620 for GSNMF-17 Loan A; $16,019 for GSNMF-17 Loan B; $71,148 for DVCI XXIV Loan A; and $29,033 for DVCI XXIV Loan B.

Interest incurred on the Building 77 2014 Notes, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $0 and $101,675 the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there was no accrued interest.

In accordance with the Corporation's loan agreement, DVCI XXIV earns an asset management fee in the amount of $50,000 annually, prorated for partial years, commencing on November 15, 2012 and continuing for the term of the DVCI XXIV loan. For the years ended June 30, 2023 and 2022, DVCI XXIV asset management fees of $0 and $50,000 and, respectively, have been incurred and paid.

In accordance with the Corporation's loan agreement, an audit and tax expense reimbursement to DVCI XXIV equal to $10,570 is due annually from the DVCI XXIV Fee Reserve, commencing on November 15, 2012 and continuing for the term of the DVCI XXIV loan. For the years ended June 30, 2023 and 2022, DVCI XXIV asset management fees of $0 and $10,750, respectively have been incurred and paid.

In March 2022, the Corporation assumed the debt of Building 77 to the CDEs, as held by the Investment Funds. The Investment Funds were dissolved pursuant to its operating agreement and assigned the GSNMF and DVCI Loans to the Corporation. The Corporation recognized cancellation of debt income to Building 77 and included as forgiveness of debt in the June 30, 2022 statement of revenues, expenses and changes in net position.

**Building 77 2016 Notes**

On May 26, 2016, Building 77 QALICB entered into separate loan agreements with GSNMF-21 and BRP to finance rehabilitation of improvements to Building 77. The loan mortgages are collateralized by the building of the Corporation and consist of four promissory notes as listed above. The GNSMF-21 promissory notes bear interest at .855% per annum and BRP promissory notes bear interest at .884% per annum. From May 26, 2016, interest only on the principal balance accrued during the respective preceding calendar quarters shall be payable on January 1, April 1, July 1 and October 1. Commencing April 1, 2022 and continuing every July 1, October 1, January 1 and April 1 thereafter up and including the maturity date on October 1, 2049, quarterly payments of principal and interest shall be due on each of the promissory notes as follows: $55,121 for GSNMF-21 Loan A; $25,915 for GSNMF-21 Loan B; $142,121 for BRP Loan A; and $53,124 for BRP Loan B.

Interest incurred on the Building 77 2016 Notes, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $0 and $47,310 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there was no accrued interest.

## NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

### Building 77 2016 Notes (Continued)

In accordance with the Corporation's loan agreement, BRP CDE, LLC ("Allocatee") earns a management fee in the amount of $250,000 which is payable in installments commencing on May 26, 2016. The final installment was paid on May 26, 2019. There were no Allocatee management fees incurred for the years ended June 30, 2023 and 2022.

In March 2022, the Corporation assumed the debt of Building 77 to the CDEs, as held by the Investment Fund. The Investment Fund was dissolved pursuant to its operating agreement and assigned the GSNMF Loans to the Corporation in full satisfaction of the Corporation's leverage loan. The Corporation recognized cancellation of debt income to Building 77 and included as forgiveness of debt in the June 30, 2022 statement of revenues, expenses and changes in net position.

### 127 2018 Notes

On September 21, 2018, the 127 QALICB entered into promissory note agreements with GSNMF Sub-CDE 29 LLC ("GSNMF-29"), CDE 41, LLC ("MBS"), NYCR SUB-CDE 1, LLC ("NYCR"), NYCNCC Sub-CDE 5, LLC ("NYCNCC"), DVCI CDE XLIV, LLC ("DVCI XLIV"), totaling $35,330,000. The promissory note agreements comprise ten obligations and are secured by the property.

In accordance with the loan agreement, 127 QALICB entered into a promissory note agreement with GSNMF, referred to as GSNMF-29 Loan A, on September 21, 2018 in the amount of $3,364,306. The terms of the note provide for quarterly interest only payments beginning December 15, 2018 at a rate of 1.067% per annum. Beginning on March 15, 2026, a one-time payment of $2,140,860 is due to GSNMF. Beginning June 15, 2026, quarterly principal and interest payments totaling $12,849, are due until the loan matures on September 20, 2053.

In accordance with the loan agreement, 127 QALICB entered into a promissory note agreement with GSNMF-29, referred to as GSNMF-29 Loan B, on September 21, 2018 in the amount of $1,635,694. The terms of the note provide for quarterly interest only payments beginning December 15, 2018 at a rate of 1.067% per annum. Beginning on June 15, 2026, quarterly principal and interest payments totaling $17,178, are due until the loan matures on September 20, 2053.

In accordance with the loan agreement, 127 QALICB entered into a promissory note agreement with MBS, referred to as MBS Loan A, on September 21, 2018 in the amount of $4,780,028. The terms of the note provide for quarterly interest only payments beginning December 15, 2018 at a rate of 1.067% per annum. On March 15, 2026, a one-time payment of $2,997,204 is due to MBS. Beginning on June 15, 2026, quarterly principal and interest payments totaling $18,723, are due until the loan matures on September 20, 2053.

In accordance with the loan agreement, 127 QALICB entered into a promissory note agreement with MBS, referred to as MBS Loan B, on September 21, 2018 in the amount of $2,079,972. The terms of the note provide for quarterly interest only payments beginning December 15, 2018 at a rate of 1.067% per annum. Beginning on June 15, 2026, quarterly principal and interest payments totaling $21,844, are due until the loan matures on September 20, 2053.

In accordance with the loan agreement, 127 QALICB entered into a promissory note agreement with NYCR, referred to as NYCR Loan A, on September 21, 2018 in the amount of $8,524,333. The terms of the note provide for quarterly interest only payments beginning December 15, 2018 at a rate of 1.067% per annum. On March 15, 2026, a one-time payment of $5,138,064 is due to MBS. Beginning on June 15, 2026, quarterly principal and interest payments totaling $35,563, are due until the loan matures on September 20, 2053.

## NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

### 127 2018 Notes (Continued)

In accordance with the loan agreement, 127 QALICB entered into a promissory note agreement with NYCR, referred to as NYCR Loan B, on September 21, 2018 in the amount of $3,235,667. The terms of the note provide for quarterly interest only payments beginning December 15, 2018 at a rate of 1.067% per annum. Beginning on June 15, 2026, quarterly principal and interest payments totaling $33,981, are due until the loan matures on September 20, 2053.

In accordance with the loan agreement, 127 QALICB entered into a promissory note agreement with NYCNCC, referred to as NYCNCC Loan A, on September 21, 2018 in the amount of $4,920,028. The terms of the note provide for quarterly interest only payments beginning December 15, 2018 at a rate of 1.067% per annum. On March 15, 2026, a one-time payment of $2,997,204 is due to NYCNCC. Beginning on June 15, 2026, quarterly principal and interest payments totaling $20,194, are due until the loan matures on September 20, 2053.

In accordance with the loan agreement, 127 QALICB entered into a promissory note agreement with NYCNCC, referred to as NYCNCC Loan B, on September 21, 2018 in the amount of $1,939,972. The terms of the note provide for quarterly interest only payments beginning December 15, 2018 at a rate of 1.067% per annum. Beginning on June 15, 2026, quarterly principal and interest payments totaling $20,374, are due until the loan matures on September 20, 2053.

In accordance with the loan agreement, 127 QALICB entered into a promissory note agreement with DVCI XLIV, referred to as DVCI XLIV Loan A, on September 21, 2018 in the amount of $3,364,305. The terms of the note provide for quarterly interest only payments beginning December 15, 2018 at a rate of 1.067% per annum. On March 15, 2026, a one-time payment of $2,140,860 is due to DVCI XLIV. Beginning on June 15, 2026, quarterly principal and interest payments totaling $12,849, are due until the loan matures on September 20, 2053.

In accordance with the loan agreement 127 QALICB entered into a promissory note agreement with DVCI XLIV, referred to as DVCI XLIV Loan B, on September 21, 2018 in the amount of $1,485,695. The terms of the note provide for quarterly interest only payments beginning December 15, 2018 at a rate of 1.067% per annum. Beginning on June 15, 2026, quarterly principal and interest payments totaling $15,603 are due until the loan matures on September 20, 2053.

Interest incurred on the 127 2018 Notes amounted to $377,058 for the years ended June 30, 2023 and 2022.

The aggregate annual principal and interest due on the 127 2018 Notes is as follows for the years ended June 30:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ - | $ 377,054 | $ 377,054 |
| 2025 | - | 377,054 | 377,054 |
| 2026 | 15,883,504 | 252,425 | 16,135,929 |
| 2027 | 631,617 | 205,018 | 836,635 |
| 2028 | 638,387 | 198,250 | 836,637 |
| 2029-2033 | 3,296,011 | 887,170 | 4,183,181 |
| 2034-2038 | 3,476,421 | 706,756 | 4,183,177 |
| 2039-2043 | 3,666,706 | 516,472 | 4,183,178 |
| 2044-2048 | 3,867,410 | 315,767 | 4,183,177 |
| 2049-2053 | 3,869,944 | 104,018 | 3,973,962 |
| | $ 35,330,000 | $ 3,939,984 | $ 39,269,984 |

## NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

### 127 2018 Notes (Continued)

The Corporation's loan agreements include provisions that in the event of payment or other material defaults, which are not cured within any applicable cure periods, that the respective lenders may accelerate and declare the remaining unpaid debt to be immediately due and payable.

## NOTE 10 – CONSTRUCTION LOAN PAYABLE

On April 2, 2015, GMC Landlord entered into a loan agreement with New Lab, LLC in the amount of $11,884,883. The loan accrues interest at 2.44% from the date of the initial advance through maturity, on the tenth anniversary of the first monthly payment. Monthly payments commenced on the conversion date, March 1, 2017. Interest is compounded monthly from the date of the first advance through the conversion date. On the date of conversion, the loan balance was increased to $13,744,373 including compounded interest. Beginning March 1, 2017, monthly payments of $129,193 are due through maturity. The loan is secured by the tenant fit-out payments portion of the master lease rent payable to GMC Landlord by New Lab under its lease. It is further collateralized by any accounts arising under the master lease, the deposit account, which holds loan advances and master lease rents, and an Assignment of Leases and Rents to GMC Landlord.

The Corporation's loan agreements include provisions that in the event of payment or other material defaults, which are not cured within any applicable cure periods, that the respective lenders may accelerate and declare the remaining unpaid debt to be immediately due and payable.

Interest incurred on the construction loan payable, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $59,261 and $95,166 during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there was no accrued interest.

The aggregate annual principal and interest due on the construction loan payable at June 30:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 1,527,852 | $ 22,469 | $ 1,550,321 |
| 2025 | 90,198 | 183 | 90,381 |
| | $ 1,618,050 | $ 22,652 | $ 1,640,702 |

## NOTE 11 – CAPITAL CONTRIBUTIONS AND GRANTS

### City Capital Contributions

Since 1996, the Corporation receives contributions from the City for the replacement and rehabilitation of capital assets funded from the City's capital budget. For the years ended June 30, 2023 and 2022, the Corporation recognized $25,682,844 and $19,588,003, respectively, as non-operating revenue for rehabilitation work completed with City capital funds.

### Other Capital Grants

During the years ended June 30, 2023 and 2022, the Corporation received capital funds of $0 and $460,186, respectively, to facilitate improvements to the Navy Yard.

### Other Capital Contributions (Distributions)

During fiscal year 2023, the Corporation distributed approximately $198,000 of investor distributions for Building 127. During fiscal year 2022, the Corporation distributed approximately $666,000 of investor distributions for Building 127 and Building 77.

## NOTE 12 – LEASE RECEIVABLE

The Corporation is reporting lease receivables of $454,529,187 and $460,701,790 at June 30, 2023 and 2022. Lease revenue of $53,966,496 and $56,253,239 and interest revenue of $24,264,721 and $23,667,949 relate to lease payments received for the fiscal years ended June 30, 2023 and 2022. All the Corporation's leases relate to the various properties under management as described in Note 1. The lease terms vary and are specific to each of the individual tenants.

Total rentals related to variable payments, which arise primarily from a percentage of the lessees' gross revenues and parking revenue rents, amounted to $2,817,807 and $2,169,605 for the years ended June 30, 2023 and 2022, respectively.

Future rental payments due to the Corporation under non-cancelable agreements are as follows for the years ending June 30:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 16,906,784 | $ 11,861,572 | $ 28,768,356 |
| 2025 | 33,237,795 | 22,298,592 | 55,536,387 |
| 2026 | 29,701,199 | 20,607,736 | 50,308,935 |
| 2027 | 28,418,592 | 19,032,576 | 47,451,168 |
| 2028 | 24,021,343 | 17,584,590 | 41,605,933 |
| 2029-2033 | 83,182,971 | 72,859,908 | 156,042,879 |
| 2034-2038 | 63,007,284 | 54,557,501 | 117,564,785 |
| 2039-2043 | 48,815,860 | 38,792,076 | 87,607,936 |
| 2044-2048 | 37,587,193 | 27,901,319 | 65,488,512 |
| 2049-2053 | 27,968,197 | 19,918,923 | 47,887,120 |
| 2054-2058 | 27,685,335 | 12,315,502 | 40,000,837 |
| 2059-2063 | 31,874,472 | 4,375,682 | 36,250,154 |
| 2064 | 2,122,162 | 89,147 | 2,211,309 |
| | $ 454,529,187 | $ 322,195,124 | $ 776,724,311 |

## NOTE 13 – LEASE LIABILITY

The Corporation is obligated under two sublease agreements for the rental of premises in the Navy Yard. Both subleases expire on June 29, 2061. The Corporation determined the net present value of the lease based on the comparable rates of similar leases using 5.25% and reported a lease liability of $199,513,697 and $197,730,484 at June 30, 2023 and 2022, respectively. Total outflows related to the lease agreements were $8,640,140 and $8,598,156 for the years ended June 30, 2023 and 2022, respectively.

## NOTE 13 – LEASE LIABILITY (Continued)

Annual requirements to amortize long-term lease obligations and related interest are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ (1,879,118) | $ 10,519,258 | $ 8,640,140 |
| 2025 | (1,202,336) | 10,601,780 | 9,399,444 |
| 2026 | (1,267,000) | 10,666,444 | 9,399,444 |
| 2027 | (1,335,142) | 10,734,586 | 9,399,444 |
| 2028 | (722,269) | 10,790,073 | 10,067,804 |
| 2029-2033 | 146,642 | 54,141,856 | 54,288,498 |
| 2034-2038 | 7,687,186 | 53,218,426 | 60,905,612 |
| 2039-2043 | 17,304,679 | 49,997,095 | 67,301,774 |
| 2044-2048 | 30,146,923 | 43,883,884 | 74,030,807 |
| 2049-2053 | 41,182,896 | 34,468,642 | 75,651,538 |
| 2054-2058 | 60,315,415 | 21,454,201 | 81,769,616 |
| 2059-2061 | 49,135,821 | 4,166,155 | 53,301,976 |
| | $ 199,513,697 | $ 314,642,400 | $ 514,156,097 |

The lease liability is amortized using the interest-method, and since the interest expense is greater than the total cash requirements, the principal balance will increase or accrete until such time that the cash payments are greater than the interest expense.

## NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Corporation is involved in general liability insurance claims relating to damages suffered by tenants and various other legal matters which are being defended and handled in the ordinary course of business. The liability, if any, associated with each of these matters is capped at $50,000 per occurrence with an annual maximum limit of $1,000,000. Management believes that the ultimate resolution of such claims will not have a materially adverse effect on the Corporation’s financial statements.

The Corporation is required to comply with various rules and regulations of the New Markets Tax Credits (“NMTC”) program pursuant to Section 45D of the Code. Failure to comply with these or other requirements could result in the recapture of NMTC already taken by the Corporation’s mortgage lenders and potential loss of future NMTCs.

## NOTE 15 – PENSION PLANS

The Corporation’s non-union administrative employees are eligible to participate in the Brooklyn Navy Yard Corp. Pension Plan, a defined contribution pension plan administered by Voya Financial. Participation begins after the completion of six (6) months’ continuous employment with the Corporation. Voluntary employee contributions to this plan are not permitted. Participants are fully vested in employer contributions to this plan after three (3) years of service. Plan forfeitures are used to either reduce administrative expenses of the plan or employer contributions to the plan. For the years ended June 30, 2023 and 2022, contributions of 14% of eligible compensation were made to this plan. Pension expense for the years ended June 30, 2023 and 2022 amounted to $1,316,318 and $1,237,713 , respectively.

**NOTE 15 – PENSION PLANS (Continued)**

The Corporation has also established the Brooklyn Navy Yard Security Guards Pension Plan, a defined contribution profit-sharing plan administered by Voya Financial. Only employees that are covered by the Corporation’s collective bargaining agreement with its security guards are eligible to participate in this plan. Participation begins after the completion of six (6) months’ continuous employment with the Corporation. Voluntary employee contributions to this plan are not permitted. Participants are fully vested in employer contributions to this plan after three (3) years of service. Plan forfeitures are used to either reduce administrative expenses of the plan or employer contributions to the plan. For each of the years ended June 30, 2023 and 2022, discretionary profit-sharing contributions of $1.75 per hour (to a maximum of 80 hours for both years) were made to this plan. Pension expense for the years ended June 30, 2023 and 2022 amounted to $195,987 and $200,809, respectively.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**
**(A COMPONENT UNIT OF THE CITY OF NEW YORK)**
**SUPPLEMENTARY INFORMATION**
**SCHEDULES OF PROPERTY MANAGEMENT REVENUE AND EXPENSES**
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **OPERATING REVENUES** | $ 97,374,778 | $ 103,675,312 |
| **EXPENSES** | | |
| Direct expenses | | |
| Utilities | | |
| Electric | 7,615,612 | 8,948,390 |
| Steam | 1,632,226 | 1,676,292 |
| Water | 1,031,699 | 1,599,801 |
| Natural gas | 511,838 | 373,855 |
| Payroll and related fringe benefits | | |
| Protective services and transportation | 3,891,548 | 3,635,138 |
| Maintenance, utilities and engineering | 6,850,585 | 6,299,705 |
| Fringe benefits | 4,623,802 | 4,588,346 |
| Other direct expenses | | |
| Materials, supplies and building maintenance | 5,708,742 | 7,054,330 |
| Events, programs and exhibits | 231,813 | 136,968 |
| Property insurance | 3,888,685 | 3,407,477 |
| Brokerage and leasing | 3,266 | 115,268 |
| Provision for doubtful accounts | (161,634) | 3,780,968 |
| Transportation | 1,804,542 | 1,590,074 |
| Total direct expenses | 37,632,724 | 43,206,612 |
| Operating income, net of direct expenses | 59,742,054 | 60,468,700 |
| General and administrative expenses | | |
| Personnel and fringe benefits | 11,233,512 | 10,183,094 |
| Other | 8,868,574 | 17,487,129 |
| Total general and administrative expenses | 20,102,086 | 27,670,223 |
| Operating income before depreciation and and amortization and non-operating income (expense) | 39,639,968 | 32,798,477 |
| **DEPRECIATION AND AMORTIZATION AND NON-OPERATING INCOME (EXPENSE)** | | |
| Depreciation and amortization | (33,737,533) | (33,965,765) |
| Interest income | 1,092,240 | 646,827 |
| Interest expense | (18,196,703) | (18,595,611) |
| Forgiveness of debt | - | 6,884,539 |
| Net depreciation and amortization and non-operating income (expense) | (50,841,996) | (45,030,010) |
| Loss before capital contributions | $ (11,202,028) | $ (12,231,533) |

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**
**(A COMPONENT UNIT OF THE CITY OF NEW YORK)**
**SUPPLEMENTARY INFORMATION**
**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **PERSONNEL AND FRINGE BENEFIT EXPENSES** | | |
| Executive and legal | $ 2,067,448 | $ 1,722,534 |
| Finance and leasing | 1,931,489 | 1,742,281 |
| Human resources | 554,160 | 475,105 |
| Development and external affairs | 1,557,301 | 1,307,886 |
| Technology and information | 622,542 | 561,042 |
| Building 92 and employment center | 1,152,302 | 1,226,851 |
| Payroll taxes and fringe benefits | 3,348,270 | 3,147,395 |
| Total personnel and fringe benefits | 11,233,512 | 10,183,094 |
| **OTHER EXPENSES** | | |
| Legal | 821,108 | 772,575 |
| Audit and tax fees | 222,658 | 250,192 |
| Computer contract and supplies | 1,601,749 | 1,497,493 |
| Mailroom and postage | 378,348 | 385,490 |
| Communication | 288,712 | 263,451 |
| Director's liability insurance | 43,952 | 39,650 |
| Corporate | 266,589 | 172,401 |
| Community employment | 422,716 | 222,446 |
| Advertising and marketing | 521,701 | 441,621 |
| Stationery and office supplies | 235,567 | 207,493 |
| Consultants | 1,277,931 | 1,194,409 |
| Gasoline | 90,700 | 77,483 |
| Vehicle repairs and maintenance | 200,015 | 176,287 |
| Payroll processing | 113,561 | 93,361 |
| Education and training | 173,601 | 56,741 |
| State and local taxes | 250,467 | 218,256 |
| Grant expense | 918,853 | 10,071,392 |
| Miscellaneous | 1,040,346 | 1,346,388 |
| Total other expenses | 8,868,574 | 17,487,129 |
| **Total general and administrative expenses** | $ 20,102,086 | $ 27,670,223 |

**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***

Board of Directors of
Brooklyn Navy Yard Development Corporation

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 Brooklyn Navy Yard Development Corporation (the "Corporation"), a component unit of The City of New York as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 20, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation'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 the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann CPAs

New York, NY
September 20, 2023