



BROOKLYN NAVY YARD DEVELOPMENT CORPORATION

A COMPONENT UNIT OF THE CITY OF NEW YORK

**Financial Statements and Supplementary Information
(Together with Independent Auditors' Report)**

June 30, 2025 and 2024

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF NEW YORK
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)

JUNE 30, 2025 AND 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Brooklyn Navy Yard Development Corporation
Brooklyn, New York

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, 2025 and 2024, 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, 2025 and 2024, 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"). 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.

Emphasis of Matter

The Corporation adopted Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*, ("GASB 101") effective July 1, 2024. The beginning net position beginning of the earliest period presented was restated for the effect of the change in the accounting principle. As a result, the statement of activities reported a prior period adjustment of \$740 thousand for the year ended June 30, 2024, which decreased the beginning net position. This is discussed further in Note 16 to the financial statements. Our opinion is not modified with respect to this matter.

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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism through 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 charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

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 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of property management revenue and expenses and general and administrative expenses for the years ended June 30, 2025 and 2024 (shown on pages 35 and 36) are presented for the purpose 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

CBIZ CPAs P.C.

New York, NY

September 29, 2025

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2025 AND 2024

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, 2025 and 2024. 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:

	2025	2024	2023	Variance %	
				2025 vs. 2024	2024 vs. 2023
Current assets					
Cash and cash equivalents	\$ 11,434,144	\$ 14,355,026	\$ 21,226,528	-20%	-32%
Accounts receivable, net	3,829,481	4,238,628	4,639,018	-10%	-9%
Lease receivables	38,402,098	16,287,156	16,906,784	136%	-4%
Grants receivable	8,291,589	4,355,804	4,432,600	90%	-2%
Community development notes receivable	15,801,756	-	-	100%	0%
Prepaid expenses and other current assets	6,433,759	5,500,801	2,968,561	17%	85%
Total Current Assets	\$ 84,192,827	\$ 44,737,415	\$ 50,173,491	88%	-11%

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2025 AND 2024

FINANCIAL HIGHLIGHTS (Continued)

As of June 30, 2025, the Corporation reported current assets of \$84,192,827 consisting of cash and cash equivalents of \$11,434,144, accounts receivable of \$3,829,481, lease receivables of \$38,402,098, grants receivable of \$8,291,589, community development notes receivable of \$15,801,756, and prepaid expenses and other current assets of \$6,433,759. The cash and cash equivalents decreased by \$2,920,882 or 20%, mainly due to timing of cash flows from the Corporation's grants. The increase of \$22,114,942 or 136% in lease receivables is a result of more payments due in the upcoming fiscal year. Grants receivable consist of capital funds due from the City and non-governmental organizations for several projects in the Navy Yard. The increase of \$3,935,785 or 90% is due to the timing of receipt of a significant portion of the outstanding city capital receivables. Community development notes receivable increased by \$15,801,756 or 100% due to a payment due to the Corporation in fiscal year 2026. Prepaid expenses and other current assets increased by \$932,958 or 17% mainly due to the increase in premium.

As of June 30, 2024, the Corporation reported current assets of \$44,737,415 consisting of cash and cash equivalents of \$14,355,026, accounts receivable of \$4,238,628, lease receivables of \$16,287,156, grants receivable of \$4,355,804 and prepaid expenses and other current assets of \$5,500,801. The cash and cash equivalents decreased by \$6,871,502 or 32%, mainly due to a significant increase in operating expenses compared to the previous fiscal year. Grants receivable consist of capital funds due from the City and non governmental organizations for several projects in the Navy Yard. The decrease of \$76,796 or 2% is due to the timely receipt of a significant portion of the outstanding city capital receivables. Prepaid expenses and other current assets increased by \$2,532,240 or 85% mainly due to the timing of prepaid insurance payments.

Noncurrent Assets

Noncurrent assets consisted of the following as of June 30:

	2025	2024	2023	Variance %	
				2025 vs. 2024	2024 vs. 2023
Noncurrent assets					
Restricted cash and cash equivalents	\$ 29,795,531	\$ 14,413,237	\$ 30,101,183	107%	-52%
Tenants' security deposits - restricted	13,852,439	13,230,642	11,310,914	5%	17%
Lease receivables	383,063,963	441,357,189	437,622,403	-13%	1%
Community development notes receivable	9,151,244	24,953,000	24,953,000	-63%	0%
Capital assets, net	771,305,724	740,673,136	716,837,910	4%	3%
Total Noncurrent Assets	\$ 1,207,168,901	\$ 1,234,627,204	\$ 1,220,825,410	-2%	1%

As of June 30, 2025, the Corporation had noncurrent assets of \$1,207,168,901 consisting of restricted cash and cash equivalents of \$29,795,531, tenants' security deposits of \$13,852,439, lease receivables of \$383,063,963, community development notes receivable of \$9,151,244, right-of-use asset of \$153,039,820, and capital assets of \$618,265,904. Capital assets are net of accumulated depreciation and amortization. The Corporation's restricted cash and cash equivalents are comprised of the cash reserved for the construction projects. The increase in restricted cash and cash equivalents at June 30, 2025 is due to the investment in capital projects throughout the year. The decrease of \$58,293,226 or 13% in lease receivables is a result of payments received in the current year and more payments due in the upcoming fiscal year. Community development notes receivable decreased by \$15,801,756 or 63% due to a payment due to the Corporation in fiscal year 2026 included in current assets. The capital assets are comprised of improvements to the land and buildings, office equipment, and automobiles, trucks and machinery. Nondepreciable and depreciable capital assets at June 30, 2025 increased by \$38,188,356 due to new construction projects. The right-of-use asset decreased by \$7,555,768 due to its related amortization. Assets leased by the Navy Yard are amortized over the shorter of their useful life or the lease term.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2025 AND 2024

FINANCIAL HIGHLIGHTS (Continued)

As of June 30, 2024, the Corporation had noncurrent assets of \$1,234,627,204 consisting of restricted cash and cash equivalents of \$14,413,237, tenants' security deposits of \$13,230,642, lease receivables of \$441,357,189, community development notes receivable of \$24,953,000, right-of-use asset of \$160,595,588, and capital assets of \$580,077,548. Capital assets are net of accumulated depreciation and amortization. The Corporation's restricted cash and cash equivalents are comprised of the cash reserved for the construction projects. The decrease in restricted cash and cash equivalents at June 30, 2024 is due to the investment in capital projects throughout the year. The capital assets are comprised of improvements to the land and buildings, office equipment, and automobiles, trucks and machinery. Nondepreciable and depreciable at June 30, 2024 increased by \$22,546,859 due to new construction projects. The right-of-use asset increased due to new leases in the current year. Assets leased by the Navy Yard are amortized over the shorter of their useful life or the lease term.

Current and Noncurrent Liabilities

Current liabilities consisted of the following as of June 30:

	2025	(as restated) 2024	(as restated) 2023	Variance %	
				2025 vs. 2024	2024 vs. 2023
Current liabilities					
Accounts payable and accrued expenses	\$ 13,723,971	\$ 14,054,464	\$ 10,382,553	-2%	35%
Unearned revenues	27,893,269	14,003,476	28,995,552	99%	-52%
Development loans payable	36,625,438	3,673,032	3,480,119	897%	6%
Community development notes payable	15,883,504	-	-	100%	0%
Construction loan payable	-	90,198	1,527,852	-100%	-94%
Total Current Liabilities	\$ 94,126,182	\$ 31,821,170	\$ 44,386,076	196%	-28%

Current liabilities of \$94,126,182 were recorded as of June 30, 2025, a increase of \$62.3 million or 196%. This resulted from a significant increase in City capital unearned revenues as a result of City capital receipt for STEAM center expansion, elevator modernization, Bert 9, 10, and SBB structural projects. In addition, to timing of loans payable with \$52,508,942 in principal payments due in fiscal year 2026 compared to 2024 which had current principal payments due of \$3,673,032 in the upcoming fiscal year. Current liabilities of \$31,821,170 were recorded as of June 30, 2024, a decrease of \$12.6 million or 28%. This resulted from a significant reduction in City capital unearned revenues and investment in various City capital projects including Berth 9, 10 and SBB structural project.

Noncurrent liabilities consisted of the following as of June 30:

	2025	(as restated) 2024	(as restated) 2023	Variance %	
				2025 vs. 2024	2024 vs. 2023
Noncurrent liabilities					
Compensated absences	\$ 2,480,782	\$ 2,406,022	\$ 2,141,693	3%	12%
Tenants' security deposits - restricted	13,985,217	13,351,980	11,452,351	5%	17%
Development loans payable	119,955,338	156,520,713	159,824,359	-23%	-2%
Community development notes payable	19,446,496	35,330,000	35,330,000	-45%	0%
Construction loan payable	-	-	90,198	0%	-100%
Lease liability	183,860,432	185,774,908	177,775,950	-1%	4%
Total Noncurrent Liabilities	\$ 339,728,265	\$ 393,383,623	\$ 386,614,551	-14%	2%
Total Liabilities	\$ 433,854,447	\$ 425,204,793	\$ 431,000,627	2%	-1%

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2025 AND 2024

FINANCIAL HIGHLIGHTS (Continued)

Current and Noncurrent Liabilities

Noncurrent liabilities of \$339,728,265 were recorded as of June 30, 2025, a decrease of \$53.7 million or 14%, the result of notes payables due to upcoming debt principal payments due in fiscal year 2026 of \$52,508,942. Noncurrent liabilities of \$393,383,623 were recorded as of June 30, 2024, an increase of \$6.8 million or 2%, the result of an increase to the lease liability.

Deferred Inflows of Resources

Deferred inflows of resources consisted of the following as of June 30:

	2025	2024	2023	Variance %	
				2025 vs. 2024	2024 vs. 2023
Deferred inflow of resources leases	\$ 346,020,944	\$ 387,594,747	\$ 394,774,886	-11%	-2%

Deferred inflows of resources of \$346,020,944 were recorded as of June 30, 2025, a decrease of \$41.5 million or 11%, the result of revenue recognized. Deferred inflows of resources of \$387,594,747 were recorded as of June 30, 2024, a decrease of \$7.1 million or 2%, the result of revenue recognized.

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:

	2025	2024	2023	Variance %	
				2025 vs. 2024	2024 vs. 2023
Operating revenues	\$ 95,058,185	\$ 96,697,907	\$ 97,374,778	-2%	-1%
Operating expenses	100,928,012	103,557,684	92,212,750	-3%	12%
Operating (loss) income	(5,869,827)	(6,859,777)	5,162,028	-14%	-233%
Non-operating revenue	1,592,135	1,472,627	1,092,240	8%	35%
Non-operating expense	17,140,141	18,307,241	18,196,703	-6%	1%
Non-operating expense, net	(15,548,006)	(16,834,614)	(17,104,463)	-8%	-2%
Loss before capital contributions	(21,417,833)	(23,694,391)	(11,942,435)	-10%	98%
Capital contributions	66,339,091	45,036,082	25,484,801	47%	77%
Change in net position	44,921,258	21,341,691	13,542,366	110%	58%
Net position, beginning of year - as restated	466,565,079	445,223,388	431,681,022	5%	3%
Net position, end of year	\$ 511,486,337	\$ 466,565,079	\$ 445,223,388	10%	5%

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.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2025 AND 2024

FINANCIAL HIGHLIGHTS (Continued)

Operating Revenues

For fiscal year 2025, the Corporation incurred a decrease in operating revenues of approximately \$1.6 million or 2% primarily as a result of decreases in rental income from leases and related interest. For fiscal year 2024, the Corporation incurred a decrease in operating revenues of approximately \$677,000 or 1% mainly as a result of a decrease in rental income from leases due to unforeseen vacancies.

Operating Expenses

For fiscal year 2025, the total operating expenses decreased by \$2.6 million or 3% due mainly to decreases in utilities and provision for doubtful accounts. For fiscal year 2024, the total operating expenses increased by \$11 million or 12% due mainly to an increase in personnel and fringe benefits expenses, property insurance, and provision for doubtful accounts.

Net Position

Net position consisted of the following as of June 30:

	2025	(as restated) 2024	(as restated) 2023	Variance %	
				2025 vs. 2024	2024 vs. 2023
Net investment in capital assets	\$ 395,534,516	\$ 359,284,285	\$ 338,809,432	10%	6%
Restricted:					
Capital projects	33,735,520	8,362,512	28,543,485	303%	-71%
Debt service and other reserves	2,900,586	1,094,452	439,317	165%	149%
Unrestricted	<u>79,315,715</u>	<u>97,823,830</u>	<u>77,431,154</u>	-19%	26%
Total net position	<u>\$ 511,486,337</u>	<u>\$ 466,565,079</u>	<u>\$ 445,223,388</u>	10%	5%

Net position as of June 30, 2025 was \$511.5 million, an increase of \$44.9 million from the prior year. This increase in total net position is a direct result of increase in City capital revenue recognized due to the investment in capital projects throughout the year. Net position as of June 30, 2024 was \$466.6 million, an increase of \$21.3 million from the prior year. This increase in total net position is a direct result of an increase in City capital revenue recognized due to the investment in capital projects throughout the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	2025	2024	2023	Variance %	
				2025 vs. 2024	2024 vs. 2023
Nondepreciable	\$ 132,822,091	\$ 92,822,615	\$ 46,337,246	43%	100%
Depreciable, net	485,443,813	487,254,933	511,193,443	0%	-5%
Lease assets, net	<u>153,039,820</u>	<u>160,595,588</u>	<u>159,307,221</u>	-5%	1%
Total capital assets	<u>\$ 771,305,724</u>	<u>\$ 740,673,136</u>	<u>\$ 716,837,910</u>	4%	3%

Capital assets as of June 30, 2025 was \$771.3 million, an increase of \$30.6 million from the prior year. The changes primarily include \$67 million in capital additions for investments in capital projects during the year, netted by depreciation and amortization of depreciable and lease assets.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2025 AND 2024

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital assets as of June 30, 2024 was \$740.7 million, an increase of \$23.8 million from the prior year. The changes primarily include \$51.4 million in capital additions for investments in capital projects during the year netted by depreciation and amortization of depreciable and lease assets.

Debt Administration

	2025	2024	2023	Variance %	
				2025 vs. 2024	2024 vs. 2023
Development loans payable	\$ 156,580,776	\$ 160,193,745	\$ 163,304,478	-2%	-2%
Community development notes payable	35,330,000	35,330,000	35,330,000	0%	0%
Construction loan payable	-	90,198	1,618,050	-100%	-94%
Total notes and loans payable	\$ 191,910,776	\$ 195,613,943	\$ 200,252,528	-2%	-2%

Notes and loans payable as of June 30, 2025 and 2024 were \$191.9 million and \$195.6 million, respectively, which were decreases of \$3.7 million and \$4.6 million from the prior years. The decreases were primarily caused by principal repayments on notes and loans payable outstanding.

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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets		
Cash and cash equivalents (Notes 2E and 3)	\$ 11,434,144	\$ 14,355,026
Accounts receivable, net of allowance for doubtful		
accounts of \$7,199,510 in 2025 and \$5,430,286 in 2024 (Note 2F)	3,829,481	4,238,628
Lease receivables (Notes 2D and 12)	38,402,098	16,287,156
Grants receivable (Notes 1 and 2D)	8,291,589	4,355,804
Community development notes receivable (Notes 2I and 4)	15,801,756	-
Prepaid expenses and other current assets (Note 2G)	6,433,759	5,500,801
	<u>84,192,827</u>	<u>44,737,415</u>
Total current assets		
Noncurrent assets		
Restricted cash and cash equivalents (Notes 2E and 3)	29,795,531	14,413,237
Tenants' security deposits - restricted	13,852,439	13,230,642
Lease receivables (Note 12)	383,063,963	441,357,189
Community development notes receivable (Notes 2I and 4)	9,151,244	24,953,000
Capital assets (Notes 2J and 5):		
Nondepreciable	132,822,091	92,822,615
Depreciable, net	485,443,813	487,254,933
Lease assets, net	153,039,820	160,595,588
	<u>1,207,168,901</u>	<u>1,234,627,204</u>
Total noncurrent assets		
TOTAL ASSETS	<u><u>\$ 1,291,361,728</u></u>	<u><u>\$ 1,279,364,619</u></u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 13,723,971	\$ 14,054,464
Unearned revenues (Notes 2K and 6)	27,893,269	14,003,476
Development loans payable (Note 8)	36,625,438	3,673,032
Community development notes payable (Note 9)	15,883,504	-
Construction loan payable (Note 10)	-	90,198
	<u>94,126,182</u>	<u>31,821,170</u>
Total current liabilities		
Noncurrent liabilities		
Compensated absences (Notes 2N and 16)	2,480,782	2,406,022
Tenants' security deposits - restricted	13,985,217	13,351,980
Development loans payable (Note 8)	119,955,338	156,520,713
Community development notes payable (Note 9)	19,446,496	35,330,000
Lease liability (Note 13)	183,860,432	185,774,908
	<u>339,728,265</u>	<u>393,383,623</u>
Total noncurrent liabilities (Note 7)		
Total liabilities	<u>433,854,447</u>	<u>425,204,793</u>
Deferred inflow of resources (Note 2D)		
Leases (Notes 2D and 12)	346,020,944	387,594,747
Net position (Note 2L)		
Net investment in capital assets	395,534,516	359,284,285
Restricted:		
Capital projects	33,735,520	8,362,512
Debt service and other reserves	2,900,586	1,094,452
Unrestricted	79,315,715	97,823,830
	<u>511,486,337</u>	<u>466,565,079</u>
Total net position		
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES		
AND NET POSITION	<u><u>\$ 1,291,361,728</u></u>	<u><u>\$ 1,279,364,619</u></u>

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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Revenue from leases (Notes 2D and 12)		
Rents	\$ 52,139,921	\$ 52,419,140
Interest - leases	23,921,302	24,830,914
Insurance	2,908,433	2,202,002
Utilities	11,890,053	11,768,575
Grants (Note 2D)	791,447	1,067,156
Other income	<u>3,407,029</u>	<u>4,410,120</u>
Total operating revenues (Note 2C)	<u>95,058,185</u>	<u>96,697,907</u>
OPERATING EXPENSES		
Property management		
Personnel and fringe benefits (Note 15)	16,523,906	16,632,839
Utilities	11,327,173	12,427,576
Property insurance	6,304,653	5,850,071
Brokerage and leasing	(34,971)	(2,664)
Provision for doubtful accounts	2,434,435	3,606,048
Transportation	2,109,316	2,077,077
Events, programs and exhibits	159,352	301,767
Operating and maintenance	6,505,090	6,713,677
Depreciation and amortization	<u>32,572,475</u>	<u>33,039,421</u>
Total property management	<u>77,901,429</u>	<u>80,645,812</u>
General and administrative		
Personnel and fringe benefits	14,571,934	14,060,593
Other	<u>8,454,649</u>	<u>8,851,279</u>
Total general and administrative	<u>23,026,583</u>	<u>22,911,872</u>
Total operating expenses (Note 2C)	<u>100,928,012</u>	<u>103,557,684</u>
Operating loss	(5,869,827)	(6,859,777)
NONOPERATING INCOME (EXPENSE)		
Interest expense (Notes 8, 9, 10 and 13)	(17,140,141)	(18,248,328)
Financing and leasing costs incurred	-	(58,913)
Interest income (Notes 2I and 4)	<u>1,592,135</u>	<u>1,472,627</u>
Loss before capital contributions	(21,417,833)	(23,694,391)
CAPITAL CONTRIBUTIONS		
Funding from The City of New York (Notes 2D and 11)	66,537,134	45,234,125
Investor distributions (Note 11)	<u>(198,043)</u>	<u>(198,043)</u>
Change in net position	44,921,258	21,341,691
Net position, beginning of year - as previously reported	466,565,079	445,963,795
Prior period adjustment for accounting adoption of GASB 101	<u>-</u>	<u>(740,407)</u>
Net position, beginning of year - as restated	<u>466,565,079</u>	<u>445,223,388</u>
Net position, end of year	<u><u>\$ 511,486,337</u></u>	<u><u>\$ 466,565,079</u></u>

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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	\$ 85,884,777	\$ 80,017,257
Grants received	791,447	1,067,156
Other receipts	3,407,029	4,410,120
Payments to vendors and suppliers	(39,074,027)	(50,385,609)
Payments to employees	<u>(22,602,202)</u>	<u>(22,277,615)</u>
Net Cash Provided by Operating Activities	<u>28,407,024</u>	<u>12,831,309</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	76,293,098	30,117,319
Purchases of capital assets	(71,066,125)	(52,022,852)
Financing and leasing costs incurred	-	(58,913)
Repayments of notes and loans payable	(3,703,167)	(4,638,585)
Change in lease liability	(1,914,476)	7,998,958
Interest expense	<u>(17,147,077)</u>	<u>(18,259,311)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(17,537,747)</u>	<u>(36,863,384)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>1,592,135</u>	<u>1,472,627</u>
Net Cash Provided by Investing Activities	<u>1,592,135</u>	<u>1,472,627</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,461,412	(22,559,448)
Cash and cash equivalents, beginning of year	<u>28,768,263</u>	<u>51,327,711</u>
Cash and cash equivalents, end of year	<u><u>\$ 41,229,675</u></u>	<u><u>\$ 28,768,263</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (5,869,827)	\$ (6,859,777)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	32,572,475	33,039,421
ROU adjustment	-	(1,288,367)
Opening balance adjustment for GASB 101	-	57,051
Changes in operating assets and liabilities:		
Accounts receivable	409,147	400,390
Lease receivables	36,178,284	(3,115,158)
Prepaid expenses and other current assets	(932,958)	(2,532,240)
Deferred inflows of resources - rental income	(41,573,803)	(7,180,139)
Accounts payable and accrued expenses	7,537,506	65,898
Compensated absences	74,760	264,329
Change in tenant security deposits payable	<u>11,440</u>	<u>(20,099)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 28,407,024</u></u>	<u><u>\$ 12,831,309</u></u>
RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:		
Unrestricted cash and cash equivalents	\$ 11,434,144	\$ 14,355,026
Restricted cash and cash equivalents	<u>29,795,531</u>	<u>14,413,237</u>
Cash and cash equivalents end of year	<u><u>\$ 41,229,675</u></u>	<u><u>\$ 28,768,263</u></u>
Supplemental Disclosure of Cash Flow Information:		
Noncash capital and related financing transactions:		
Accrued capital asset expenditures	<u><u>\$ 1,451,014</u></u>	<u><u>\$ 9,312,077</u></u>

See accompanying notes to the financial statements.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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 \$8,291,589 and \$3,405,804 at June 30 2025 and 2024, 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 June 30, 2025 and 2024, the reserves have a balance of approximately \$612,000 and \$586,000, respectively.

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.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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 lease receivables and a deferred inflow of resources. Lease receivables are 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.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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, 2025 and 2024, 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:

<u>Asset</u>	<u>Years</u>
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.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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. *Reclassifications*

Certain line items in the June 30, 2024 financial statements have been reclassified to conform to the June 30, 2025 presentation for compensated absences, lease assets, net and the lease liability.

N. *New Accounting Pronouncements*

During the year ended June 30, 2025, the Corporation adopted the following GASB statements:

- 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 adopted GASB 101 for year ended June 30, 2025. Refer to Note 16 for the impacts of the adoption of GASB 101.
- GASB Statement No. 102, *Certain Risk Disclosures* ("GASB 102"), has been issued to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB 102 requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of GASB 102 are effective for fiscal years beginning after June 15, 2024. The Corporation has adopted GASB 102 for the year ended June 30, 2025 and determined there is no impact and no disclosures were required.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 103, *Financial Reporting Model Improvements* (“GASB 103”), has been issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025. The Corporation has not completed their evaluation of the potential impact of adopting GASB 103.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets* (“GASB 104”), has been issued to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and compatibility between governments. The requirements of GASB 104 are effective for fiscal years beginning after June 15, 2025. The Corporation has not completed their evaluation of the potential impact of adopting GASB 104.

NOTE 3 – CASH AND CASH EQUIVALENTS

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

	<u>2025</u>	<u>2024</u>
Current Assets		
Unrestricted Cash and Cash Equivalents		
Cash	\$ 11,434,144	\$ 14,082,193
Cash Equivalents (U.S. Government Money Market Fund)	<u>-</u>	<u>272,833</u>
	<u>11,434,144</u>	<u>14,355,026</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents		
Cash	913,770	1,149,135
Cash Equivalents (U.S. Government Money Market Fund)	<u>28,881,761</u>	<u>13,264,102</u>
	<u>29,795,531</u>	<u>14,413,237</u>
Total Cash and Cash Equivalents		
Cash	12,347,914	15,231,328
Cash Equivalents (U.S. Government Money Market Fund)	<u>28,881,761</u>	<u>13,536,935</u>
	<u>\$ 41,229,675</u>	<u>\$ 28,768,263</u>

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 \$28,881,761 and \$13,536,935 as of June 30, 2025 and 2024, respectively, are valued based upon quoted prices in active markets (Level 1).

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

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, 2025 and 2024, 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 both June 30, 2025 and 2024, the bank deposit balances were held in four banks and amounted to \$15,948,845 and \$14,446,839 of which \$1,194,858 and \$1,449,200 was covered by federal depository insurance and \$14,171,291 and \$12,902,617 was collateralized, respectively. The remaining balance of \$582,696 and \$95,022, respectively, was uninsured and uncollateralized and exposed to custodial credit risk.

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

		<u>2025</u>	<u>2024</u>
BNYDC			
City capital funds	A	\$ 26,894,944	\$ 12,678,560
City reserve		612,230	585,542
Other		<u>1,350,389</u>	<u>-</u>
		<u>28,857,563</u>	<u>13,264,102</u>
 Building 127			
Construction reserve	C	-	86,655
Fee and expense reserves	B	<u>937,968</u>	<u>1,062,480</u>
		<u>937,968</u>	<u>1,149,135</u>
		<u>\$ 29,795,531</u>	<u>\$ 14,413,237</u>

- A.** The City capital funds as of June 30, 2025 and 2024 primarily consist of capital funds advanced by the City for various reconstruction projects amounting to \$26.9 million and \$12.7 million, respectively, and for the multiple other infrastructure projects throughout the Navy Yard

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

- 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.

NOTE 4 – COMMUNITY DEVELOPMENT NOTES RECEIVABLE

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

<u>Borrower</u>	<u>2025</u>	<u>2024</u>
Building 127 NMTC Investment Fund LLC ("127 NMTC")	\$ 24,953,000	\$ 24,953,000

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 for each of the years ended June 30, 2025 and 2024.

Maturities of Notes Receivable

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 15,801,756	\$ 132,956	\$ 15,934,712
2027	521,289	89,562	610,851
2028	526,521	84,329	610,850
2029	531,806	79,044	610,850
2030	537,144	73,706	610,850
2031-2035	2,767,687	286,566	3,054,253
2036-2040	2,909,407	144,845	3,054,252
2041-2043	1,357,390	17,024	1,374,414
	<u>\$ 24,953,000</u>	<u>\$ 908,032</u>	<u>\$ 25,861,032</u>

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NOTE 5 – CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2025:

	Balance 6/30/24	Additions	Deductions/ Reclassifications	Balance 6/30/25
Nondepreciable:				
Construction in progress	\$ 92,822,615	\$ 66,922,169	\$ (26,922,693)	\$ 132,822,091
Total nondepreciable capital assets	<u>92,822,615</u>	<u>66,922,169</u>	<u>(26,922,693)</u>	<u>132,822,091</u>
Depreciable:				
Leasehold improvements, including buildings and water and sewer systems	854,050,897	26,922,693	(15,665)	880,957,925
Machinery and vehicles	4,439,381	-	-	4,439,381
Office equipment	<u>2,700,500</u>	<u>-</u>	<u>-</u>	<u>2,700,500</u>
Total depreciable capital assets	<u>861,190,778</u>	<u>26,922,693</u>	<u>(15,665)</u>	<u>888,097,806</u>
Less: accumulated depreciation and amortization:				
Leasehold improvements, including buildings and water and sewer systems	367,227,571	28,565,415	-	395,792,986
Machinery and vehicles	4,182,072	75,129	-	4,257,201
Office equipment	<u>2,526,202</u>	<u>77,604</u>	<u>-</u>	<u>2,603,806</u>
Total accumulated depreciation and amortization	<u>373,935,845</u>	<u>28,718,148</u>	<u>-</u>	<u>402,653,993</u>
Lease assets being amortized, net	<u>160,595,588</u>	<u>-</u>	<u>(7,555,768)</u>	<u>153,039,820</u>
Total net depreciable capital assets	<u>647,850,521</u>	<u>(1,795,455)</u>	<u>(7,571,433)</u>	<u>638,483,633</u>
Total net capital assets	<u>\$ 740,673,136</u>	<u>\$ 65,126,714</u>	<u>\$ (34,494,126)</u>	<u>\$ 771,305,724</u>

Construction in progress consists of over sixty capital projects for the improvement, replacement and rehabilitation of the infrastructure of the Navy Yard. The projects have various completion dates through June 2030 and the estimated cost to complete the project is approximately \$400 million.

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NOTE 5 – CAPITAL ASSETS (Continued)

The following is a summary of capital asset activity for the year ended June 30, 2024:

	Balance 6/30/23	Additions	Deductions/ Reclassifications	Balance 6/30/24
Nondepreciable:				
Construction in progress	\$ 46,337,246	\$ 53,516,764	\$ (7,031,395)	\$ 92,822,615
Total nondepreciable capital assets	<u>46,337,246</u>	<u>53,516,764</u>	<u>(7,031,395)</u>	<u>92,822,615</u>
Depreciable:				
Leasehold improvements, including buildings and water and sewer systems	849,681,279	4,937,852	(568,234)	854,050,897
Machinery and vehicles	4,383,998	56,517	(1,134)	4,439,381
Office equipment	<u>2,700,500</u>	<u>-</u>	<u>-</u>	<u>2,700,500</u>
Total depreciable capital assets	<u>856,765,777</u>	<u>4,994,369</u>	<u>(569,368)</u>	<u>861,190,778</u>
Less: accumulated depreciation: and amortization:				
Leasehold improvements, including buildings and water and sewer systems	339,101,465	28,126,106	-	367,227,571
Machinery and vehicles	4,031,136	150,936	-	4,182,072
Office equipment	<u>2,439,733</u>	<u>86,469</u>	<u>-</u>	<u>2,526,202</u>
Total accumulated depreciation and amortization	<u>345,572,334</u>	<u>28,363,511</u>	<u>-</u>	<u>373,935,845</u>
Lease assets being amortized, net	<u>159,307,221</u>	<u>1,288,367</u>	<u>-</u>	<u>160,595,588</u>
Total net depreciable capital assets	<u>670,500,664</u>	<u>(22,080,775)</u>	<u>(569,368)</u>	<u>647,850,521</u>
Total net capital assets	<u>\$ 716,837,910</u>	<u>\$ 31,435,989</u>	<u>\$ (7,600,763)</u>	<u>\$ 740,673,136</u>

NOTE 6 – UNEARNED REVENUES

Unearned revenues consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Currently from the City for the rehabilitation of capital assets	\$ <u>27,893,269</u>	\$ <u>14,003,476</u>
Total	<u>\$ 27,893,269</u>	<u>\$ 14,003,476</u>

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NOTE 7 – LONG-TERM LIABILITIES

The following summarizes the changes in the Corporation's long-term liabilities for the year ended June 30, 2025:

	(as restated) Balance 7/1/2024	Increases	Reductions	Balance 6/30/2025	Due Within One Year	Due After One Year
Tenant's security deposits	\$ 13,351,980	\$ 633,237	\$ -	\$ 13,985,217	\$ -	\$ 13,985,217
Unearned revenues	14,003,476	72,774,857	58,885,064	27,893,269	27,893,269	-
Development loans payable	160,193,745	-	3,612,969	156,580,776	36,625,438	119,955,338
Community development notes payable	35,330,000	-	-	35,330,000	15,883,504	19,446,496
Construction loan payable	90,198	-	90,198	-	-	-
Compensated absences*	2,406,022	74,760	-	2,480,782	-	2,480,782
Lease liability	185,774,908	-	1,914,476	183,860,432	-	183,860,432
Total long-term liabilities	\$ 411,150,329	\$ 73,482,854	\$ 64,502,707	\$ 420,130,476	\$ 80,402,211	\$ 339,728,265

*Compensated absences as of July 1, 2024 increased by \$797,458 as a result of the restatement for the adoption of GASB 101.

The following summarizes the changes in the Corporation's long-term liabilities for the year ended June 30, 2024:

	(as restated) Balance 7/1/2023	Increases	Reductions	(as restated) Balance 6/30/2024	Due Within One Year	Due After One Year
Tenant's security deposits	\$ 11,452,351	\$ 1,899,629	\$ -	\$ 13,351,980	\$ -	\$ 13,351,980
Unearned revenues	28,995,552	29,151,189	44,143,265	14,003,476	14,003,476	-
Development loans payable	163,304,478	-	3,110,733	160,193,745	3,673,032	156,520,713
Community development notes payable	35,330,000	-	-	35,330,000	-	35,330,000
Construction loan payable	1,618,050	-	1,527,852	90,198	90,198	-
Compensated absences*	2,141,693	264,329	-	2,406,022	-	2,406,022
Lease liability	177,775,950	7,998,958	-	185,774,908	-	185,774,908
Total long-term liabilities	\$ 420,618,074	\$ 39,314,105	\$ 48,781,850	\$ 411,150,329	\$ 17,766,706	\$ 393,383,623

*Compensated absences as of July 1, 2023 increased by \$740,407 as a result of the restatement for the adoption of GASB 101.

NOTE 8 – DEVELOPMENT LOANS PAYABLE

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

Lender	2025	2024
The Variable Annuity Life Insurance Company ("VALIC Loan")	\$ 56,230,152	\$ 57,305,637
NYCRC Brooklyn Navy Yard Development Fund, IV, LLC ("NYCRC Loan")	30,000,000	30,000,000
Webster Bank (formerly Sterling National Bank) ("Webster Loan")	27,095,527	27,730,432
Symetra Life Insurance Company ("Symetra Loan")	23,531,352	24,858,630
Building 127: GSUIG Real Estate Member LLC	16,785,655	17,275,258
GSUIG Real Estate Member LLC Line of Credit	2,938,090	3,023,788
	\$ 156,580,776	\$ 160,193,745

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NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

VALIC 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.

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 \$2,183,970 and \$2,223,013 for the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, accrued interest amounted to \$180,405 and \$183,856, respectively.

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.

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NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

NYCRC 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 later of (i) the fifth anniversary date of the first loan draw, which occurred on May 10, 2017 and (ii) thirty days following the date that all investors who have made an investment in the Corporation pursuant to the EB-5 Program have become cleared investors. As of June 30, 2025, NYCRC has advised that all investors have not yet become cleared investors. 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 \$1,277,500 and \$1,281,000 during the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, 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.

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 \$1,237,629 and \$1,268,910 during the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, there was no accrued interest.

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NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

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 \$1,006,576 and \$1,060,440 during the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025, and 2024 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.

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 \$1,111,118 and \$1,141,690 during the years ended June 30, 2025, and 2024, respectively. As of June 30, 2025 and 2024, there was no accrued interest.

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NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

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 \$194,485 and \$178,334 during the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, there was no accrued interest.

Webster Bank (formerly Sterling National Bank) Line of Credit

On May 11, 2023, the Corporation closed on a \$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, 2025 and 2024.

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 ending June 30:

<u>Fiscal Year Ending</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 36,625,438	\$ 5,524,758	\$ 42,150,196
2027	3,855,017	5,214,950	9,069,967
2028	4,027,445	5,042,523	9,069,968
2029	4,214,347	4,855,620	9,069,967
2030	4,406,949	4,663,018	9,069,967
2031-2035	25,251,862	20,097,976	45,349,838
2036-2040	30,969,561	13,908,436	44,877,997
2041-2045	41,108,353	2,608,850	43,717,203
2046-2050	6,121,804	516,312	6,638,116
	<u>\$ 156,580,776</u>	<u>\$ 62,432,443</u>	<u>\$ 219,013,219</u>

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.

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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:

<u>BNYDC Entity/CDE Lender</u>	<u>2025</u>	<u>2024</u>
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
	<u>\$ 35,330,000</u>	<u>\$ 35,330,000</u>

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.

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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 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.

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 \$377,054 for each of the years ended June 30, 2025 and 2024. As of June 30, 2025, and 2024 accrued interest amounted to \$245,331 and \$175,236, respectively.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

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

<u>Fiscal Year Ending</u>					
<u>June 30</u>		<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2026	\$	15,883,504	\$	252,425	\$ 16,135,929
2027		631,617		205,018	836,635
2028		638,387		198,250	836,637
2029		645,226		191,409	836,635
2030		652,139		184,498	836,637
2031-2035		3,367,024		816,153	4,183,177
2036-2040		3,551,321		631,860	4,183,181
2041-2045		3,745,708		437,471	4,183,179
2046-2050		3,950,732		232,443	4,183,175
2051-2055		2,264,342		36,349	2,300,691
	\$	<u>35,330,000</u>	\$	<u>3,185,876</u>	\$ <u>38,515,876</u>

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 \$183 and \$22,469 during the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, there was no accrued interest.

The loan was fully repaid as of June 30, 2025.

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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, 2025 and 2024, the Corporation recognized \$66,537,134 and \$45,234,125 respectively, as non-operating revenue for rehabilitation work completed with City capital funds.

Other Capital Contributions (Distributions)

During the years ended June 30, 2025 and 2024, the Corporation distributed approximately \$198,000 of investor distributions for Building 127.

NOTE 12 – LEASE RECEIVABLES

The Corporation is reporting lease receivables of \$421,466,061 and \$457,644,345 at June 30, 2025 and 2024. Lease revenue of \$52,139,921 and \$52,419,140 and interest revenue of \$23,921,302 and \$24,830,914 relate to lease payments received for the fiscal years ended June 30, 2025 and 2024. All of 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 \$1,134,776 and \$1,687,171 for the years ended June 30, 2025 and 2024, 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
2026	\$ 38,402,098	\$ 22,718,097	\$ 61,120,195
2027	35,482,981	20,528,118	56,011,099
2028	30,396,545	18,566,317	48,962,862
2029	25,268,522	16,855,264	42,123,786
2030	21,201,226	15,488,754	36,689,980
2031 - 2035	72,593,034	63,408,964	136,001,998
2036 - 2040	61,328,725	46,058,259	107,386,984
2041 - 2045	38,892,430	33,319,263	72,211,693
2046 - 2050	27,080,741	23,981,539	51,062,280
2051 - 2055	27,023,633	16,671,332	43,694,965
2056 - 2060	27,521,918	9,112,171	36,634,089
2061 - 2064	16,274,208	1,112,766	17,386,974
	<u>\$ 421,466,061</u>	<u>\$ 287,820,844</u>	<u>\$ 709,286,905</u>

The Corporation is party to a lease-leaseback transaction for land it leases to another party, in which, the other party has developed the land and leased office space back to the Corporation. This is included as a net transaction in the Corporation's Right-of-Use assets and lease liability as the net present value of the leased office space is greater than those amounts receivable to the Corporation. Accordingly, as of June 30, 2025, the lease receivable of \$22,215,419 and deferred inflows of resources of \$18,987,745 related to the leased land is not included in the Corporation's lease receivables and deferred inflows of resources.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 – LEASE LIABILITY

The Corporation is obligated under two sublease agreements for the rental of premises in the Navy Yard. The subleases expire on June 29, 2061 and August 30, 2065. 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 \$183,860,432 and \$185,774,908 at June 30, 2025, and 2024, respectively. Total outflows related to the lease agreements were \$8,298,445 and \$9,291,396 for the years ended June 30, 2025 and 2024, respectively.

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ (1,510,964)	\$ 9,690,910	\$ 8,179,946
2027	(1,486,169)	9,767,421	8,281,252
2028	(1,171,067)	9,842,195	8,671,128
2029	(944,401)	9,894,013	8,949,612
2030	(897,735)	9,943,533	9,045,798
2031-2035	(1,055,925)	50,001,824	48,945,899
2036-2040	4,207,650	49,632,841	53,840,491
2041-2045	11,605,285	47,619,257	59,224,542
2046-2050	21,831,779	43,315,215	65,146,994
2051-2055	35,794,978	35,866,135	71,661,113
2056-2060	54,677,940	24,145,507	78,823,447
2061-2066	<u>62,809,061</u>	<u>8,580,058</u>	<u>71,389,119</u>
	<u>\$ 183,860,432</u>	<u>\$ 308,298,909</u>	<u>\$ 492,159,341</u>

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. Interest expense amounted to \$8,928,200 and \$10,677,472 for the years ended June 30, 2025 and 2024, respectively.

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.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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, 2025 and 2024, contributions of 14% of eligible compensation were made to this plan. Pension expense for the years ended June 30, 2025 and 2024 amounted to \$1,800,750 and \$1,692,349, respectively.

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, 2025 and 2024, 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, 2025 and 2024, amounted to \$252,491 and \$242,640, respectively.

NOTE 16 – COMPENSATED ABSENCES

The Corporation's employees earn vacation and sick leave, which accumulates as it is earned. In accordance with GASB 101, a liability is recorded for leave balances that are expected to be used or paid upon separation. At June 30, 2025 and 2024, the liability for compensated absences was \$2,480,782 and \$2,406,022, respectively.

The Corporation has adopted GASB 101 for the year ended June 30, 2025. As a result, the opening net position of the earliest period presented was restated, as of July 1, 2023 by a decrease of \$740,407. All other comparative amounts have been restated as appropriate.

Net Position as of July 1, 2023 – as previously stated	\$ 445,963,795
Prior period adjustment for GASB 101	<u>(740,407)</u>
Net Position as of July 1, 2023 – as restated	<u>\$ 445,223,388</u>
Net Position as of July 1, 2024 - as previously stated	\$ 467,362,537
Prior period adjustments for GASB 101	<u>(797,458)</u>
Net Position as of July 1, 2024 – as restated	<u>\$ 466,565,079</u>

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
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SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPERTY MANAGEMENT REVENUE AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES	\$ 95,058,185	\$ 96,697,907
EXPENSES		
Direct expenses		
Utilities		
Electric	8,213,189	8,880,920
Steam	1,093,173	1,307,107
Water	1,549,257	1,866,107
Natural gas	471,554	373,442
Payroll and related fringe benefits		
Protective services and transportation	4,469,549	4,243,434
Maintenance, utilities and engineering	7,313,380	7,591,862
Fringe benefits	4,740,977	4,797,543
Other direct expenses		
Materials, supplies and building maintenance	6,505,090	6,713,677
Events, programs and exhibits	159,352	301,767
Property insurance	6,304,653	5,850,071
Brokerage and leasing	(34,971)	(2,664)
Provision for doubtful accounts	2,434,435	3,606,048
Transportation	2,109,316	2,077,077
Total direct expenses	<u>45,328,954</u>	<u>47,606,391</u>
Operating income, net of direct expenses	<u>49,729,231</u>	<u>49,091,516</u>
General and administrative expenses		
Personnel and fringe benefits	14,571,934	14,060,593
Other	8,454,649	8,851,279
Total general and administrative expenses	<u>23,026,583</u>	<u>22,911,872</u>
Operating income before depreciation and amortization and non-operating income (expense)	<u>26,702,648</u>	<u>26,179,644</u>
DEPRECIATION AND AMORTIZATION AND NON-OPERATING INCOME (EXPENSE)		
Depreciation and amortization	(32,572,475)	(33,039,421)
Interest income	1,592,135	1,472,627
Interest expense	(17,140,141)	(18,248,328)
Financing and leasing costs incurred	<u>-</u>	<u>(58,913)</u>
Net depreciation and amortization and non-operating income (expense)	<u>(48,120,481)</u>	<u>(49,874,035)</u>
Loss before capital contributions	<u>\$ (21,417,833)</u>	<u>\$ (23,694,391)</u>

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
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SUPPLEMENTARY INFORMATION
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
PERSONNEL AND FRINGE BENEFIT EXPENSES		
Executive and legal	\$ 2,641,891	\$ 2,522,979
Finance and leasing	2,288,856	2,266,850
Human resources	754,994	721,969
Development and external affairs	2,570,503	1,617,473
Technology and information	815,472	744,627
Building 92 and employment center	1,215,806	2,042,848
Payroll taxes and fringe benefits	<u>4,284,412</u>	<u>4,143,847</u>
Total personnel and fringe benefits	<u>14,571,934</u>	<u>14,060,593</u>
OTHER EXPENSES		
Legal	1,599,925	970,161
Audit and tax fees	255,750	264,202
Computer contract and supplies	1,581,061	1,800,560
Mailroom and postage	381,334	372,601
Communication	269,716	344,469
Director's liability insurance	59,179	55,268
Corporate	288,158	335,370
Community employment	518,308	590,350
Advertising and marketing	225,528	290,681
Stationery and office supplies	56,360	111,822
Consultants	994,524	1,406,737
Gasoline	61,427	68,516
Vehicle repairs and maintenance	131,247	140,417
Payroll processing	109,820	131,092
Education and training	163,481	125,765
State and local taxes	203,652	188,924
Grant expense	761,915	812,356
Miscellaneous	<u>793,264</u>	<u>841,988</u>
Total other expenses	<u>8,454,649</u>	<u>8,851,279</u>
Total general and administrative expenses	<u><u>\$ 23,026,583</u></u>	<u><u>\$ 22,911,872</u></u>

See independent auditors' report.