

**BROOKLYN NAVY YARD DEVELOPMENT  
CORPORATION  
INDEPENDENT AUDITOR'S REPORT WITH  
CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH OMB CIRCULAR A-133 AUDIT REPORTS  
June 30, 2015  
(With comparative totals for 2014)**

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION  
 INDEPENDENT AUDITOR'S REPORT WITH  
 CONSOLIDATED FINANCIAL STATEMENTS  
 AND SUPPLEMENTARY INFORMATION  
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CITIZENS BANK  
2015 COUPON  
INTEREST STATEMENT

**INDEPENDENT AUDITOR'S REPORT**

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying consolidated statements of net assets of Brooklyn Navy Yard Development Corporation, ("BNYDC"), as of June 30, 2015 and 2014, and the related consolidated statements of revenues, expenses, and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Navy Yard Development Corporation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules, as required by The City of New York, New York City Human Administration, Federal, State and Local Administration are presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2015 on our consideration of BNYDC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BNYDC's internal control over financial reporting and compliance.



Valley Stream, New York  
September 3, 2015

**MANAGEMENT DISCUSSION AND ANALYSIS**

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2015 and 2014**

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This section of the Brooklyn Navy Yard Development Corporation's, ("BNYDC") annual financial report presents our management analysis of BNYDC's financial performance during the fiscal year that ended on June 30, 2015.

**Overview of BNYDC and the Consolidated Financial Statements**

BNYDC is responsible for the leasing, management, and development of the Brooklyn Navy Yard for industrial, maritime, and commercial uses. The corporation operates under a lease with The City of New York that, after exercising all renewal periods, expires in 2111 and also under an annual management contract. BNYDC 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. For the fiscal year ended June 30, 2015, BNYDC incurred an operating loss of (\$9,335,258). However, when depreciation and amortization (non-cash items) are factored out, BNYDC realized an excess of operating revenue over operating expenses of \$6,573,750 (\$15,909,008 less \$9,335,258). This resulted in a positive cash flow of \$7,790,764 provided by operating activities.

**Financial Highlights**

BNYDC's consolidated financial statements reveal that the corporation is in excellent condition. This is evidenced by the following:

- The corporation's cash and cash equivalents, including reserved cash, totaled \$58,661,107 at June 30, 2015;
- Current assets stand at \$66,175,203 vs. current liabilities of \$23,254,173;
- BNYDC operated with a working capital position of \$43 million on a \$35 million budget;
- Investment in property and equipment grew by \$46.8 million;
- BNYDC generated positive cash flows of approximately \$8 million from operations.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2015 and 2014**

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**Statement of Net Assets Analysis**

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>% Increase (Decrease) 2015-2014</u></b>
Cash and Cash Equivalents (Including Reserve Cash)	\$ 58,661,107	\$ 81,961,753	-28%
Working Capital	42,921,030	73,149,760	-41%
Property and Equipment	354,927,003	308,078,363	15%
Total Net Assets	285,089,524	272,820,641	5%

**Assets**

The decreases in cash and cash equivalents, reserve cash, and working capital, and the increase in property and equipment resulted mainly from the capital investments made in the waterfront, the electric distribution system, the buildings and equipment for operating activities. The increase in total net assets is a direct result of The City of New York and BNYDC's capital investments in the Navy Yard.

**Statement of Revenue and Expense Analysis**

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>% Increase (Decrease) 2015-2014</u></b>
Rent Revenue	\$ 28,051,112	\$ 27,721,011	1%
Total Operating Revenues	35,268,736	35,076,968	1%
Utilities	6,447,556	7,765,752	-17%
Total Operating Expenses	44,603,994	45,181,104	-1%
Operating Loss	(9,335,258)	(10,104,136)	-8%
Change in Net Assets	12,268,883	9,577,679	28%

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2015 and 2014**

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**Statement of Revenue and Expense Analysis**

BNYDC manages and leases over 4,000,000 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, BNYDC 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, BNYDC facilitates business growth and expansion on the part of our tenants by creating an environment that compliments their business and therefore helps create jobs.

**Revenue**

The demand for industrial space continued to be strong during fiscal year 2015. BNYDC realized an increase in rent revenues of 1% mainly as a result of higher base payments due to lease renewals and tenant turnover. The total operating revenues are up 1% for fiscal year 2015.

**Expenses**

Total operating expenses decreased by 1%, due mainly to decreases in insurance and utilities costs. Operating loss decreased by 8% and change in Net Assets increases by 28%.

**Capital Infrastructure Investment**

On December 10, 2014, BNYDC created a not for-profit company, Building 77 QALICB, Inc. (77 Inc.) to generate tax credits to help finance and rehabilitate a building in the Navy Yard, known as Building 77.

Although the Navy Yard is performing excellently within its operating budget, it still requires substantial investment for its capital infrastructure. Much of this requirement is the result of about fifty years of deferred maintenance and lack of any capital investment. Another reason is the ever-escalating costs in maintaining waterfront properties, including aging bulkheads and piers that are eaten away by both time and marine life.

**CONSOLIDATED FINANCIAL STATEMENTS**

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF NET ASSETS**  
**June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Cash Equivalents (Note 4)	\$ 11,223,504	\$ 8,551,873
Reserved Cash (Note 4)	47,437,603	73,409,880
Accounts Receivables: Less Allowance for Doubtful		
Accounts of \$321,172 in 2015 and \$4,471,934 in 2014	294,223	1,215,261
Receivable from Grants and Contracts (Note 9)	6,042,404	9,322,134
Prepaid Expenses and other Current Assets	1,177,469	1,190,362
	66,175,203	93,689,510
Total Current Assets		
Cash-tenants' Security Deposits	4,588,669	3,232,980
Community Development Note Receivable (Note 5)	28,025,361	17,687,500
Property and Equipment, Net (Note 6)	354,927,003	308,078,363
	\$ 453,716,236	\$ 422,688,353
Total Assets		
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable and Accrued Expenses	\$ 7,052,996	\$ 3,820,442
Unearned Revenue (Note 7)	16,201,177	16,719,308
	23,254,173	20,539,750
Total Current Liabilities		
Tenants' Security Deposits	4,588,669	3,232,980
Unearned Revenue (Note 7)	263,870	274,982
Development Loans (Note 12)	101,500,000	101,500,000
Community Development Loan (Note 13)	39,020,000	24,320,000
	168,626,712	149,867,712
Total Liabilities		
<b>Net Assets (Note 2)</b>		
Invested in Capital Assets, Net of Related Debt	261,418,750	245,729,581
Operating	23,670,774	27,091,060
	\$ 285,089,524	\$ 272,820,641
Total Net Assets		

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

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGE IN NET ASSETS**  
**For the years ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Rents	\$ 28,051,112	\$ 27,721,011
Additional Rent (Insurance Premium)	494,723	581,626
Utilities	5,625,723	5,584,961
Grants	454,653	434,900
Other Income	<u>642,525</u>	<u>754,470</u>
Total Operating Revenues	<u>35,268,736</u>	<u>35,076,968</u>
<b>OPERATING EXPENSES</b>		
<i>Property Management</i>		
Personnel and Fringe Benefits	8,629,311	8,672,312
Utilities	6,447,556	7,765,752
Property Insurance	1,287,020	1,375,198
Provision for Bad Debts	1,097,966	1,788,996
Events, Programs & Exhibits	223,129	245,349
Other Operating and Maintenance	2,733,817	2,844,602
Depreciation and Amortization	<u>15,909,008</u>	<u>15,446,743</u>
Total Property Management	<u>36,327,807</u>	<u>38,138,952</u>
<i>General and Administrative</i>		
Personnel and Fringe Benefits (Schedule II)	5,982,555	5,073,875
Other (Schedule II)	<u>2,293,632</u>	<u>1,968,277</u>
Total General and Administrative	<u>8,276,187</u>	<u>7,042,152</u>
Total Operating Expenses	<u>44,603,994</u>	<u>45,181,104</u>
Operating Loss	(9,335,258)	(10,104,136)
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest Expense	(758,043)	(756,054)
Interest and Investment Income	<u>280,430</u>	<u>252,696</u>
Loss before Capital Contributions and Transfers	(9,812,871)	(10,607,494)
<i>Capital Contributions</i>		
City of New York Capital Budget (Note 9)	12,562,716	17,210,838
Capital Grants Note 10)	8,430,365	
Tax Credit Capital Contribution (Note 11)	<u>1,088,673</u>	<u>2,974,335</u>
Change in Net Assets	12,268,883	9,577,679
<b>Total Net Assets at Beginning of Year</b>	<u>272,820,641</u>	<u>263,242,962</u>
<b>Total Net Assets at End of Year</b>	<u>\$ 285,089,524</u>	<u>\$ 272,820,641</u>

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

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tenants	\$ 36,189,774	\$ 35,672,993
Payments to Suppliers	(17,441,070)	(18,548,109)
Payments to Employees	<u>(10,957,940)</u>	<u>(10,607,932)</u>
Net Cash Provided by Operating Activities	<u>7,790,764</u>	<u>6,516,952</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributions	24,832,241	28,790,651
Note Receivable	(10,337,861)	-
Purchase of Capital Assets	(59,808,177)	(36,676,759)
Development Loan	<u>14,700,000</u>	<u>500,000</u>
Net Cash (Used) Provided by Capital and Related Financing Activities	<u>(30,613,797)</u>	<u>(7,386,108)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	280,430	252,696
Interest Expense	<u>(758,043)</u>	<u>(756,054)</u>
Net Cash (Used) Provided by Investing Activities	<u>(477,613)</u>	<u>(503,358)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(23,300,646)	(1,372,514)
Cash and Cash Equivalent, including Reserve Cash at Beginning of Year	<u>81,961,753</u>	<u>83,334,267</u>
Cash and Cash Equivalent, including Reserve Cash at End of Year	<u>\$ 58,661,107</u>	<u>\$ 81,961,753</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (9,335,258)	\$ (10,104,136)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	15,909,008	15,446,743
Changes in Operating Assets and Liabilities:		
Decrease in Receivable Net	921,038	596,025
Decrease (Increase) in Prepaid Expenses and other Current Assets	12,893	(371,952)
Increase in Accounts Payable and Accrued Expenses	<u>283,083</u>	<u>950,272</u>
Net Cash Provided by Operating Activities	<u>\$ 7,790,764</u>	<u>\$ 6,516,952</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest Paid and Capitalized	<u>\$ 1,913,069</u>	<u>\$ 1,493,333</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 1. ORGANIZATION**

The predecessor-in-interest of the Brooklyn Navy Yard Development Corporation ("BNYDC") was organized in 1966. BNYDC is a not-for-profit corporation, pursuant to the not-for-profit law of the State of New York.

The primary purpose of BNYDC is to provide economic rehabilitation in Brooklyn to revitalize the economy and create job opportunities.

In 1971, BNYDC's predecessor-in-interest leased the Brooklyn Navy Yard from The City of New York ("The City") for the purpose of rehabilitating it and attracting new businesses and industry to the area. That lease was amended, restated and the term extended by a lease commencing July 1, 2012, for a period of 49 years with five 10-year extension periods.

The members of the Board of Directors serve at the pleasure of the Mayor of The City of New York. As such, BNYDC is considered a component unit of The City of New York for the purpose of The City of New York Comprehensive Annual Financial Report.

**SUBSIDIARY COMPANIES**

On June 19, 2012 BNYDC created three for-profit companies, under the laws of the State of New York, to rehabilitate a building in the Navy Yard, known as the Building 128 Complex, ("the Building"). The Building is a certified historic structure that is eligible for investment tax credits for qualifying rehabilitation expenditures pursuant to Section 47 of the Internal Revenue Code, ("IRC").

(i) GMC Brooklyn, Inc. ("GMC BK")

GMC BK is wholly owned by BNYDC and serves as the managing member of GMC Landlord, LLC and GMC Master Tenant, LLC.

(ii) GMC Landlord, LLC ("GMC Landlord")

GMC Landlord holds a 55-year sublease of the Building from BNYDC and has tax ownership over the property. GMC Landlord is a LLC, which is owned 90% by GMC BK, and 10% by GMC Master Tenant

(iii) 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 was admitted to GMC Master Tenant as a 99% member with BNYDC owning 1%.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 1. ORGANIZATION (Continued)**

Building 77 QALICB, Inc.

On December 10, 2014 BNYDC created a not for-profit company, Building 77 QALICB Inc. (77 Inc.), under the laws of the State of New York, to accept investments through two Community Development Entities (CDEs) in order to rehabilitate a building in the Navy Yard, known as Building 77. Those investments are eligible for tax credits pursuant to Section 45D of the Internal Revenue Code, ("IRC").

77 Inc., holds a 55-year sublease of Building 77 from BNYDC and has tax ownership of the property.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed by BNYDC are described below:

Revenue Recognition

Revenue from rental of space and other charges are recorded based on the lease agreements.

Accounts Receivables

The accounts receivables are stated at the amount management expect to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to allowance for doubtful accounts based on its assessment of the current status 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 receivables account.

Principles of Consolidation

The accompanying consolidated financial statements include BNYDC, GMC BK, GMC Landlord, GMC Master Tenant and Building 77 QALICB, INC. Inter-company transactions and balances have been eliminated in consolidation.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Leasehold Improvements

Machinery, office equipment, leasehold improvements/buildings and water/sewer systems are recorded at cost. Maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method based upon estimated useful lives, as follows:

<u>Asset</u>	<u>Years</u>
Machinery and Automobiles	3
Office Equipment	2-5
Lease-hold Improvements/Buildings	21-50
Water/Sewer Systems	21-75

Concentration of Credit Risk

BNYDC invests its cash in deposits with major financial institutions. The investments generally mature within 90 days and BNYDC has not experienced losses related to these investments.

Cash Equivalents

For the purpose of the consolidated statement of cash flows, BNYDC considers short-term investments with maturities of 90 days or less to be cash equivalents.

Fair Value Measurements (ASC 820)

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS 157 establishes a framework for measuring fair value and expands a framework for measuring fair value and expands disclosures about fair value measurements. The changes to current practice resulting from the application of this statement relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

- Level I input are quoted prices, (unadjusted) in active markets for identical assets or liabilities BNYDC have the ability to access.
- Level II inputs are inputs, (other than quoted prices included within Level I) that are observable for the asset or liability, either directly or indirectly.
- 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.

Income Taxes

BNYDC is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to BNYDC's tax-exempt purpose is subject to taxation as unrelated business income. In addition, BNYDC qualifies for the charitable contribution deduction under Section 170 (b) (1) (a) and has been classified as an organization other than a private foundation.

BNYDC recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized.

Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. BNYDC does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

Generally the Internal Revenue Service, (IRS) may examine a tax return for three years from the date it is filed. At June 30, 2015, tax years ended June 30, 2014, 2013 and 2012 remained open for possible examination by the IRS.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Prior Year Summarized Information

The consolidated financial statements contain certain prior year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the BNYDC's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Use of Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Compliance with SFAS No. 168; The FASB Accounting Standards Codification

The consolidated financial statements of BNYDC are included in The City of New York Comprehensive Annual Financial Report of the Comptroller. Therefore, as a not-for-profit corporation, BNYDC is not required to comply with FASB ASC Topic 958.

Compliance with GASB 54

Because the consolidated financial statements of BNYDC are included in The City of New York Comprehensive Annual Financial Report of the Comptroller, BNYDC is required to disclose its fund balance, (Net Assets) as shown below:

	<u>2015</u>	<u>2014</u>
Nonspendable	\$ 1,177,469	\$ 1,190,362
Restricted	500,000	500,000
Committed	261,418,750	245,729,581
Assigned	13,582,990	19,454,006
Unassigned	<u>8,410,315</u>	<u>5,946,692</u>
Total Fund Balance	<u>\$ 285,089,524</u>	<u>\$ 272,820,641</u>

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**NOTE 3. PENSION PLAN**

BNYDC has non-contributory defined contribution pension plans for its administrative employees and its security guards. The union plans for Local 3 and Local 30 are part of their negotiated fringe benefit packages and are accounted for therein. BNYDC's policy is to fund pension cost accrued and there are no unfunded vested benefits. The pension plan expense for the years ended June 30, 2015 and 2014 was \$877,071 and \$860,504, respectively.

**NOTE 4. CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents consisted of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
US Government Securities	\$ 9,333,512	\$ 6,336,842
FDIC Insured	1,317,290	1,343,611
Uninsured	<u>572,702</u>	<u>871,420</u>
	<u>\$ 11,223,504</u>	<u>\$ 8,551,873</u>

BNYDC maintains its cash in deposit accounts at high credit quality institutions.

<u>Reserved Cash</u>	<u>2015</u>	<u>2014</u>
US Government Securities	\$ 40,153,416	\$ 59,558,075
FDIC Insured	511,302	510,360
Uninsured	<u>6,772,885</u>	<u>13,341,445</u>
	<u>\$ 47,437,603</u>	<u>\$ 73,409,880</u>

Cash reserved for construction and building improvements at June 30, 2015 and 2014 was \$46,937,603 and \$72,909,880, respectively.

Pursuant to the lease agreement with The City of New York, BNYDC is required to maintain a cash balance of \$5,000,000 in a reserve fund for the benefit of The City of New York. During the fiscal year 2012, BNYDC was granted permission by The City to utilize monies from the reserve to pay for City funded projects, leaving a balance of \$500,000.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**NOTE 5. COMMUNITY DEVELOPMENT NOTE RECEIVABLE**

On September 6, 2012, BNYDC entered into a 30 year loan in the amount of \$17,687,500, (“the Loan”) with NMTC Investment Fund, LLC initially to assist in financing three different Community Development Entities, (“CDEs”). The loan agreement provides for interest at a rate of 1.263% per annum. Repayment is interest only payable annually on any outstanding balances until November 15, 2019, and thereafter payment of principal and interest until maturity date.

On December 22, 2014, BNYDC entered into a loan, maturing on January 1, 2042, in the amount of \$10,337,861, (“the Loan”) with BNY Building 77 NMTC Investment Fund, LLC initially to assist in financing two different Community Development Entities, (“CDEs”). The loan agreement provides for interest at a rate of 1.288% per annum. Repayment is interest only payable quarterly on any outstanding balances until January 1, 2022, and thereafter payment of principal and interest until maturity date.

**NOTE 6. PROPERTY AND EQUIPMENT**

Property and Equipment consisted of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Machinery and Vehicles	\$ 1,882,282	\$ 1,932,346
Office Equipment	1,583,938	1,253,644
Leasehold Improvements, Buildings, Water and Sewer	<u>490,671,838</u>	<u>432,019,220</u>
Total	494,138,058	435,205,210
Less: Accumulated Depreciation	<u>(139,211,055)</u>	<u>(127,126,847)</u>
	<u>\$ 354,927,003</u>	<u>\$ 308,078,363</u>

Depreciation Expense for 2015 and 2014 amounted to \$15,909,008 and \$15,446,743, respectively.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**NOTE 7. UNEARNED REVENUE**

At June 30, 2015, Unearned Revenue relates to:

	<u>Current</u>	<u>Noncurrent</u>
Contract with The City of New York for the Rehabilitation of Capital Assets	\$ 15,095,065	\$ -
WeWork/Boston Properties, LLC	1,095,000	-
Forty-five (45) year Lease Agreement with Cogeneration Partners	<u>11,112</u>	<u>263,870</u>
Total	<u>\$ 16,201,177</u>	<u>\$ 263,870</u>

At June 30, 2014, Unearned Revenue relates to:

	<u>Current</u>	<u>Noncurrent</u>
Contract with The City of New York for the Rehabilitation of Capital Assets	\$ 16,613,196	\$ -
WeWork Companies, LLC	95,000	-
Forty-five (45) year Lease Agreement with Cogeneration Partners	<u>11,112</u>	<u>274,982</u>
Total	<u>\$ 16,719,308</u>	<u>\$ 274,982</u>

**NOTE 8. LEASE WITH THE CITY OF NEW YORK**

BNYDC is the lessee of the premises known as the Brooklyn Navy Yard under the terms of a lease, ("Lease") with The City of New York, ("Lessor"). The Lease after exercising all renewal periods will expire as of June 30, 2111. The Lease was amended effective June 1, 1996, to require, among other things, payment of Annual Base Rent by BNYDC in the amount of either (i) 100% of Net Operating Income, (as defined in Section 4.01 B (ii) of the Lease), or (iii) in such other amount as may be agreed to in writing by the parties with respect to a specific Lease Year. The Management Contract between The City of New York and BNYDC, covering FY 2015, provides that if BNYDC maintains a balance of \$5,000,000 in its Reserve Fund, then the Base Rent under the Lease for FY 2015

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 8. LEASE WITH THE CITY OF NEW YORK (Continued)**

is zero. As discussed in Note 4 above, the cash balance as of June 30, 2015 is \$500,000. Since the reduction in the cash balance is with the approval of The City of New York, the base rent for FY 2015 remains at zero.

**NOTE 9. CITY OF NEW YORK CAPITAL BUDGET**

On June 30, 1996, BNYDC entered into the first in a series of annual management contracts with The City of New York for the replacement and rehabilitation of capital infrastructure to be funded from The City of New York's capital budget. For the years ended June 30, 2015 and 2014, BNYDC recognized \$12,562,716 and \$17,210,838, respectively, as capital contributions for rehabilitation work completed. Furthermore, the receivable from The City of New York for the rehabilitation work at June 30, 2015 and 2014 was \$6,042,404 and \$9,322,134, respectively.

**NOTE 10. CAPITAL GRANTS**

US Department of Homeland Security, Federal Emergency Management Agency

On October 29, 2012 Super-storm Sandy caused flooding at the Navy Yard. This unusual and infrequent disaster resulted in damages to the Navy Yard.

The US Department of Homeland Security, Federal Emergency Management Agency (FEMA) has awarded BNYDC capital funds to rehabilitate the Navy Yard. The funds are administered by the City of New York. FEMA will reimburse BNYDC for expenditures incurred in the rehabilitation program up to a maximum amount of \$70,000,000 over the next few years.

During the year ended June 30, 2015, BNYDC was reimbursed and recognized \$3,632,185 as capital contributions.

Other Capital Grants

During the year ended June 30, 2015, BNYDC received capital funds of \$4,798,180 from Empire State Development Corporation and other grantors to facilitate improvements to the Navy Yard.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 11. RELATED PARTY - TAX CREDIT PROJECT**

Nature of Operations

Under a master agreement established on September 6, 2012, BNYDC leased the Building located in the Navy Yard to an affiliate, GMC Landlord. GMC Landlord will rehabilitate the property and lease the commercial space to GMC Master Tenant. The property is owned by BNYDC. The Building is a certified historic structure. The cost to rehabilitate the building will provide eligible tax credits to investors.

Fees

BNYDC is set to earn a developer fee of \$2,500,000 to oversee the rehabilitation of the building. This fee is to be paid upon satisfaction of certain conditions provided, however, that the total shall be due and payable no later than the tenth anniversary of the completion of the Building. As of June 30, 2015 and 2014, \$2,427,500 and \$1,325,000 respectively, was earned and unpaid.

BNYDC is also serving as a general contractor on the Building. For this effort, BNYDC will earn \$8,000,000 for construction management fees. This fee is to be paid upon satisfaction of certain conditions provided, however, that the total shall be due and payable on the completion of the Building. As of June 30, 2015 and 2014, \$7,768,000 and \$4,213,600 respectively, was earned and unpaid.

Tax Credit Capital Contribution

On August 8, 2013, GMC Master Tenant's operating agreement was amended and restated to admit Brooklyn Navy Yard HTC Investor, LLC as its 99% investor member. This investor is required to make a capital contribution of \$16,477,440. For the years ended June 30, 2015 and 2014, contributions of \$321,152 and \$2,974,335, respectively, were made.

On April 2, 2015, GMC Master Tenant entered into agreements to perform tenant improvement work for its tenant, New Lab, LLC. The operating agreement was amended and restated for the investor member to make an additional capital contribution of \$3,837,595 towards the improvement work. As of June 30, 2015 an initial contribution of \$767,521 was made.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 12. DEVELOPMENT LOANS**

- i. On October 2, 2009 BNYDC entered into a credit agreement with New York City Regional Center to borrow \$60,000,000 to finance construction and building improvements in the Navy Yard and to repay a \$25,000,000 JPMorgan Chase Bank loan. The agreement provides for interest only at a fixed rate of 3% per annum. Repayment is interest only, payable quarterly, on any outstanding balance until the maturity date at which time principal is payable. The maturity date is September 17, 2016, which may be extended at BNYDC's option for an additional five years at a rate not to exceed 6%. The collateral for this loan is the assignment of future rents.
- ii. On July 26, 2012, BNYDC entered into a second credit agreement with New York City Regional Center to borrow \$42,000,000 to finance improvements to a building in the Navy Yard. The agreement provides for interest at a fixed rate of 3% per annum. Repayment is interest only, payable quarterly, on any outstanding balance until the maturity date at which time principal is payable.

The collateral for this loan is the assignment of future rents, subordinate to the first credit agreement with the New York City Regional Center. As of June 30, 2015, the total amount borrowed was \$41,500,000. On August 10, 2015, the final \$500,000 was received. Thus the maturity date is August 15, 2020 which may be extended at BNYDC's option for an additional five years at a rate not to exceed 6%.

**NOTE 13. COMMUNITY DEVELOPMENT LOAN**

On September 6, 2012, GMC Landlord entered into six – 30 year loan agreements in the aggregate amount of \$24,320,000 with three Community Development Entities to finance the rehabilitation of the Building. The agreements provide for interest at the rate of 1% per annum. Repayment is interest only, payable annually, on any outstanding balances until November 1, 2019, and thereafter payments of principal and interest until the maturity date.

On December 22, 2014, 77 Inc. entered into four – loan agreements, maturing on October 1, 2049, in the aggregate amount of \$14,700,000 with two Community Development Entities to finance the rehabilitation of Building 77. The agreements provide for interest at the rate of 1% per annum. Repayment is interest only, payable quarterly, on any outstanding balances until January 5, 2022, and thereafter payments of principal and interest until the maturity date.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 14. LEASES WITH TENANTS**

BNYDC has lease commitments from commercial tenants for space for periods ranging from one to more than fifty (50) years. Minimum future rental income from those leases is as follows:

2016	\$	28,079,980
2017		25,373,362
2018		21,158,926
2019		19,829,868
2020		17,499,887
2021-2026		80,088,503
2026-2031		67,945,429
2031-2036		58,665,755
2036-2041		58,748,565
2041-2046		44,447,222
2046-2051		32,491,654
2051-2056		35,721,466
2056-2061		39,753,161
2061-2066		43,729,489
2066-2069		27,824,004
	\$	<u>601,357,271</u>

**NOTE 15. TENANT BANKRUPTCY**

On March 19, 2014 a tenant, Surround Art Management, filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. At June 30, 2014 Surround Art Management's outstanding balances of \$4,248,882 was fully provided for in the allowance for doubtful accounts.

**NOTE 16. COMMITMENT AND CONTINGENCIES**

BNYDC 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. Therefore, it is the opinion of management that their ultimate resolution will not have a materially adverse effect on BNYDC's financial position.

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 17. SUBSEQUENT EVENT**

In connection with the preparation of the consolidated financial statements, BNYDC evaluated subsequent events after the statement of financial position date of June 30, 2015 through September 3, 2015, which was the date the consolidated financial statements were available to be issued. BNYDC is aware of the following subsequent events that require disclosure in the consolidated financial statements.

On July 15, 2015, BNYDC entered into a third credit agreement with New York City Regional Center to borrow \$30,000,000 to finance improvements to a building in the Navy Yard. The agreement provides for interest at a fixed rate of 4.20% per annum. Repayment is interest only, payable quarterly, on any outstanding balance until the maturity date at which time principal is payable. The maturity date is the fifth anniversary of the first advance of the loan, which may be extended at BNYDC's option for an additional five years at 4.20% per annum. The collateral for this loan is 77 Inc.'s contributions to BNYDC and the furniture, fixtures and equipment.

**SUPPLEMENTARY INFORMATION**

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**SCHEDULE OF PROPERTY MANAGEMENT REVENUE AND EXPENSES**  
**For the year ended June 30, 2015**  
**(With comparative totals for 2014)**

	<b>NAVY YARD</b>			
	<b>CENTER AT 92</b>	<b>BNYDC</b>	<b>2015</b>	<b>2014</b>
<b>REVENUE</b>	\$ 593,773	\$ 34,674,963	\$ 35,268,736	\$ 35,076,968
<i>Direct Expenses</i>				
Electricity Purchased	51,141	4,341,739	4,392,880	4,951,059
Steam Purchased	-	1,320,746	1,320,746	2,110,195
Water Purchased	-	733,930	733,930	704,498
Payroll and Related Fringe Benefits:				
Protective Services	90,337	2,768,659	2,858,996	2,987,222
Maintenance, Utilities, and Engineering	42,320	2,977,240	3,019,560	2,804,452
Fringe Benefits	62,070	2,688,685	2,750,755	2,880,638
<i>Other Direct Expenses</i>				
Materials, Supplies, and Building Maintenance	49,923	2,661,787	2,711,710	2,844,602
Events, Programs & Exhibits	223,129	-	223,129	245,349
Property Insurance	10,087	1,276,933	1,287,020	1,375,198
Brokerage Fees			22,107	-
Bad Debt	4,290	1,093,676	1,097,966	1,788,996
Total Direct Expenses	<u>533,297</u>	<u>19,863,395</u>	<u>20,418,799</u>	<u>22,692,209</u>
Revenue from Operations	<u>60,476</u>	<u>14,811,568</u>	<u>14,849,937</u>	<u>12,384,759</u>
<i>General and Administrative Expenses</i>				
Personnel and Fringe Benefits	834,588	5,147,967	5,982,555	5,073,875
Other	308,487	1,985,145	2,293,632	1,968,277
Total General and Administrative Expenses	<u>1,143,075</u>	<u>7,133,112</u>	<u>8,276,187</u>	<u>7,042,152</u>
Excess of Revenue Before Other Income and Expense	<u>(1,082,599)</u>	<u>7,678,456</u>	<u>6,573,750</u>	<u>5,342,607</u>
<b>OTHER INCOME AND (EXPENSES)</b>				
Interest Income	-	280,430	280,430	252,696
Interest Expense	-	(758,043)	(758,043)	(756,054)
Depreciation and Amortization	-	(15,909,008)	(15,909,008)	(15,446,743)
Total other Income and (Expenses)	<u>-</u>	<u>(16,386,621)</u>	<u>(16,386,621)</u>	<u>(15,950,101)</u>
Deficiency of Revenue Over Expenses and Loss Before Capital Contributions and Transfers	<u>\$ (1,082,599)</u>	<u>\$ (8,708,165)</u>	<u>\$ (9,812,871)</u>	<u>\$ (10,607,494)</u>

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**For the years ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>PERSONNEL AND FRINGE BENEFIT EXPENSES</b>		
Executive and Legal	\$ 1,261,440	\$ 1,014,511
Finance and Leasing	1,131,202	1,108,389
Human Resource	261,934	193,577
Development and External Affairs	804,201	507,692
Technology and Information	198,766	149,308
Building 92 and Employment Center	562,087	585,884
Payroll Taxes and Fringe Benefits	<u>1,974,365</u>	<u>1,770,340</u>
Total	6,193,995	5,329,701
Less Payroll and Related Costs Capitalized	<u>(211,440)</u>	<u>(255,826)</u>
Total Personnel and Fringe Benefit Expenses	<u>5,982,555</u>	<u>5,073,875</u>
<b>OTHER EXPENSES</b>		
Legal	534,069	468,133
Accounting and Auditing	38,450	38,450
Computer Supplies/Contract	458,713	350,394
Postage	19,057	14,234
Telephone and Communication	102,320	89,019
Director's Liability Insurance	10,000	10,000
Corporate	90,939	80,188
Board	1,848	1,581
Community Employment	229,078	242,350
Advertising and Marketing	206,129	183,034
Stationery and Office Supplies	74,138	73,376
Consultants	185,902	7,500
Gasoline	78,372	156,608
Vehicle Repairs	158,399	155,003
Payroll Processing	28,760	21,308
Education and Training	38,348	35,733
Miscellaneous	<u>120,084</u>	<u>140,330</u>
Total	2,374,606	2,067,241
Less: other Expenses Capitalized	<u>(80,974)</u>	<u>(98,964)</u>
Total Other Expenses	<u>2,293,632</u>	<u>1,968,277</u>
<b>Total General and Administrative Expenses</b>	<u>\$ 8,276,187</u>	<u>\$ 7,042,152</u>

**GOVERNMENT REPORT SECTION**

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2015**

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**NOTE 1. OVERVIEW OF SCHEDULE**

The Accompanying Schedules of Expenditures of Federal Awards present the activities of all federal assistance program of the Brooklyn Navy Yard Development Corporation, ("BNYDC"). The reporting entity is defined in Note 1 of Notes to the Financial Statements. All federal assistance received as federal assistance passed through other government agencies is included in the accompanying schedule of expenditures of federal awards.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting which is described in Note 1 of Notes to the Financial Statements.

CAPITOL BOND

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2015**

<b>Federal Grantor</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor's Number</b>	<b>Grant Period Beginning/ Ending Dates</b>	<b>Program or Awards Amount</b>	<b>Total Expenditures</b>
<u>Program Title</u>					
<u>U.S. Department of Homeland Security:</u>					
				4	
<b>Passed through New York State Office of Emergency Management</b>					
Disaster Grant - Public Assistance	97.036	PA-02-NY-4085	10/2012 - 12/2016	\$ 4,035,762	\$ 3,632,186

*See paragraph on required supplementary information included in auditor's report.*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brooklyn Navy Yard Development Corporation, ("BNYDC"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated September 3, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Brooklyn Navy Yard Development Corporation, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BNYDC's, internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

### **Compliance and Other Matters**

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

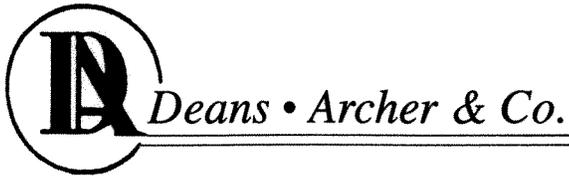
### **Purpose of this Report**

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

This report is intended solely for the information and use of Management, the Audit Committee, Board of Directors, the City of New York, the U.S. Department of Homeland Security, the State of New York, and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Valley Stream, New York  
September 3, 2015



CERTIFIED PUBLIC ACCOUNTANTS  
265 East Merrick Road  
Valley Stream, New York 11580  
(516) 872-6922/FAX: (516) 872-6925

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Brooklyn Navy Development Corporation, ("BNYDC"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of BNYDC's major federal program for the year ended June 30, 2015. BNYDC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for BNYDC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BNYDC's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of BNYDC's compliance.

### ***Opinion on Each Major Federal program***

In our opinion, BNYDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of BNYDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered BNYDC's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BNYDC's internal control over compliance.

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

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Valley Stream, New York  
September 3, 2015

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended June 30, 2015**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: *Unmodified*

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     No  
 Significant deficiency(ies) identified that are  
 Not considered to be material weaknesses? \_\_\_\_\_ Yes     None Reported

Non-compliance material to financial statements noted \_\_\_\_\_ Yes     No

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     No  
 Reportable condition(s) identified that are  
 Not considered to be material weaknesses? \_\_\_\_\_ Yes     No

Type of auditor's report issued on compliance  
 for major programs: *Unmodified*

Any audit findings disclosed that are required  
 to be reported in accordance with  
 Circular A-133, Section, 510(a) \_\_\_\_\_ Yes     No

Identification of major programs:

**CFDA Number**

97.036

**Name of Federal Program or Cluster**

Disaster Grant – Public Assistance

Dollar threshold used to distinguish  
 between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee \_\_\_\_\_ Yes     No

**BROOKLYN NAVY YRAD DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2015**

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**CURRENT YEAR FINDINGS**

**None reported**

**BROOKLYN NAVY YARD DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2015**

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**PRIOR YEAR FINDINGS**

N/A