BROOKLYN NAVY YARD

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, 2020 and 2019

MARKS PANETH

ACCOUNTANTS & ADVISORS

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, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Brooklyn Navy Yard Development Corporation

Report on the Financial Statements

We have audited the accompanying 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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation’s preparation and fair presentation of the 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 Corporation’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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2020 and 2019, 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.

Morison KSi
Independent member

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 audit 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of property management revenue and expenses and general and administrative expenses for the years ended June 30, 2020 and 2019 (shown on pages 42 and 43) are presented for the purpose of additional analysis and are 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 audits 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Marks Paneth LLP

New York, NY
September 30, 2020

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, 2020 and 2019. 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:

			(Restated)	Variance %	
	2020	2019	2018	2020-2019	2019-2018
Current assets					
Cash and cash equivalents	$ 20,169,477	$ 5,824,479	$ 7,267,622	246%	-20%
Accounts receivable	5,482,713	2,589,624	1,753,762	112%	48%
Grants receivable	2,966,336	8,803,270	8,998,235	-66%	-2%
Prepaid expenses and other current assets	2,905,008	1,265,630	1,633,245	130%	-23%
Total Current Assets	$ 31,523,534	$ 18,483,003	$ 19,652,864	71%	-6%

FINANCIAL HIGHLIGHTS (Continued)

As of June 30, 2020, the Corporation had current assets of $31,523,534 consisting of cash and cash equivalents of $20,169,477, accounts receivable of $5,482,713, grants receivable of $2,966,336 and prepaid expenses and other current assets of $2,905,008.

As of June 30, 2019, the Corporation had current assets of $18,483,003 consisting of cash and cash equivalents of $5,824,479, accounts receivable of $2,589,624, grants receivable of $8,803,270 and prepaid expenses and other current assets of $1,265,630.

The cash and cash equivalents increased by $14,344,998 or 246%, mainly due to the drawdown of $9.5 million from the line of credit and loan of $3.9 million under the Payroll Protection Program from the Small Business Administration sector of the government. The accounts receivable increase of $2.9 million or 111% was the result of deferral of rent due to COVID-19. Due to the onset of the Covid-19 pandemic, the Corporation is analyzing and reviewing requests from tenants for rent relief. If a tenant has been found to have been impacted by Covid-19, they can be eligible for a rent deferment, and if they pay timely, a future rent abatement of up to one month. As the pandemic continues, the Corporation is evaluating a second round of rent relief for the most severely impacted tenants.

Grants receivable consist of capital funds due from the City and non-governmental organizations for several projects in the Navy Yard. The decrease of $5.8 million or 66% is due to collection of $1 million from Empire State Development and $2 million from Economic Development Administration. Prepaid expenses and other current assets increased by $1.6 million or 130% mainly due to the $1.2 million security deposit relating to the loan with The Variable Annuity Life Insurance Company.

Noncurrent Assets

Noncurrent assets consisted of the following as of June 30:

	2020	2019	(Restated) 2018	Variance % 2020-2019	Variance % 2019-2018
Noncurrent assets					
Restricted cash and cash equivalents	$ 30,661,006	$ 72,161,216	$ 8,868,661	-58%	714%
Tenants' security deposits	8,639,168	8,633,648	7,518,551	0%	15%
Community development notes receivable	40,747,183	76,093,099	50,555,886	-46%	51%
Lease assets	10,954,099	7,258,852	8,120,065	51%	-11%
Capital assets, net	582,185,229	558,433,467	514,123,536	4%	9%
Total Noncurrent Assets	$ 673,186,685	$ 722,580,282	$ 589,186,699	-7%	23%

As of June 30, 2020, the Corporation had noncurrent assets of $673,186,685 consisting of restricted cash and cash equivalents of $30,661,006, tenants' security deposits of $8,639,168, community development notes receivable of $40,747,183, lease assets of $10,954,099 and capital assets of $582,185,229. Capital assets are net of accumulated depreciation.

As of June 30, 2019, the Corporation had noncurrent assets of $722,580,282 consisting of restricted cash and cash equivalents of $72,161,216, tenants' security deposits of $8,633,648, community development notes receivable of $76,093,099, lease assets of $7,258,852 and capital assets of $558,433,467. Capital assets are net of accumulated depreciation.

FINANCIAL HIGHLIGHTS (Continued)

The Corporation's restricted cash and cash equivalents are comprised of the cash reserved for the construction projects. The decrease in restricted cash equivalents at June 30, 2020 is due to the capital projects throughout the Navy Yard, $22 million of which was used for Sands Street Industrial Center construction project and $20 million for Building 127.

Community development notes receivable decreased by $35.3 million or 46% due to the wind up of community development loans for GMC Landlord, LLC ("GMC Landlord") and Building 77 QALICB, Inc. ("Building 77"). Leased assets increased by $3.7M or 51% as a result of straightlining of lease.

The capital assets are comprised of improvements to the land and buildings, office equipment, and automobiles, trucks and machinery. The capital assets increased $23.75 million or 4%, resulting mainly from the capital investments made for Sands Street Industrial Center construction project and Building 127, offset by the current year's depreciation and amortization.

Current and Noncurrent Liabilities

Liabilities consisted of the following as of June 30:

	2020	2019	(Restated) 2018	Variance % 2020-2019	Variance % 2019-2018
Current liabilities					
Accounts payable and accrued expenses	$ 9,792,636	$ 12,188,309	$ 5,634,458	-20%	116%
Unearned revenues	24,831,988	45,000,461	6,651,423	-45%	577%
Development loans payable	62,631,872	7,143,609	1,205,242	777%	493%
Construction loan payable	1,420,114	1,502,942	1,347,951	-6%	11%
Total Current Liabilities	98,676,610	65,835,321	14,839,074	50%	344%
Noncurrent liabilities					
Tenants' security deposits	8,637,716	8,146,035	7,518,551	6%	8%
Unearned revenues	-	395,348	263,870	-100%	50%
Development loans payable	107,868,064	150,631,921	133,224,758	-28%	13%
Community development notes payable	58,030,000	101,550,000	66,220,000	-43%	53%
Construction loan payable	4,564,264	5,867,352	7,425,216	-22%	-21%
Other long-term liabilities	1,842,999	1,885,850	869,654	-2%	117%
Total Noncurrent Liabilities	180,943,043	268,476,506	215,522,049	-33%	25%
Total Liabilities	$ 279,619,653	$ 334,311,827	$ 230,361,123	-16%	45%

Current liabilities of $98,676,610 were recorded as of June 30, 2020, an increase of $32.8 million or 50%. This resulted from the Sterling line of credit of $10 million and the NYCRC Brooklyn Navy Yard Development Fund, LLC development loan of $42 million, which is now due for payment. This is offset by a decrease in unearned revenues related to City capital contributions, which were used for Sands Street Industrial Center construction project for $20 million, and for Building 127 for $22 million.

FINANCIAL HIGHLIGHTS (Continued)

Noncurrent liabilities of $180,943,043 were recorded as of June 30, 2020, a decrease of $87.5 million or 33%, the result of a decrease in development loans payable being current as of June 30, 2020, and a decrease in community development notes payable due to the wind up of GMC Landlord and Building 77 loans.

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:

			(Restated)	Variance %	
	2020	2019	2018	2020-2019	2019-2018
Operating revenues	$ 68,907,875	$ 60,715,236	$ 51,189,316	13%	19%
Operating expenses	78,724,058	75,865,345	65,600,296	4%	16%
Operating loss	(9,816,183)	(15,150,109)	(14,410,980)	-35%	5%
Non-operating revenue	8,837,099	1,654,767	1,255,460	434%	32%
Non-operating expense	7,935,097	11,295,195	6,703,147	-30%	69%
Non-operating revenue (expense)	902,002	(9,640,428)	(5,447,687)	-109%	77%
Loss before capital contributions	(8,914,181)	(24,790,537)	(19,858,667)	-64%	25%
Capital contributions	27,253,289	53,063,555	16,419,126	-49%	223%
Change in net position	18,339,108	28,273,018	(3,439,541)	-35%	-922%
Net position, beginning of year, as previously reported	406,751,458	378,478,440	382,863,666		
Prior period adjustment	-	-	(945,685)		-100%
Net position, beginning of year, restated	406,751,458	378,478,440	381,917,981	7%	-1%
Net position, end of year	$ 425,090,566	$ 406,751,458	$ 378,478,440	5%	7%

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.

FINANCIAL HIGHLIGHTS (Continued)

Operating Revenues

The demand for industrial space continued to be strong during fiscal year 2020. The Corporation realized an increase in operating revenues of $8.2 million or 13% mainly as a result of higher base payments due to lease renewals and tenant turnover, along with new rentable space being leased in Building 77 and Building 212.

Operating Expenses

The total operating expenses increased by $2.9 million or 4% due mainly to increases in personnel and fringe benefits and provision for doubtful accounts, offset by a decrease in utilities and brokerage and leasing costs.

Losses Before Capital Contributions

There were losses before capital contributions of $8.9 million and $24.8 million for the years ended June 30, 2020 and 2019, respectively. The operating loss for the year ended June 30, 2020 decreased by 35%. A signification portion of the Corporation's operating losses were comprised of $28.6 million of depreciation and amortization expense. During the last few years, there were several new capital projects placed into service generating additional depreciation.

Net Position

Net position as of June 30, 2020 was $425.1 million and increase of $18.3 million from the prior year. This increase in total net position is a direct result of the increase in the City and the Corporation's capital investments in the Navy Yard.

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 the Corporation's capital assets (net of accumulated depreciation and amortization) reduced by the outstanding balance of debt attributable to the acquisition, construction or improvement of those capital assets. The net investment in capital assets amounted to $349.1 million and $300.4 million as of June 30, 2020 and 2019, respectively. Although the investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since capital assets cannot be used to liquidate these liabilities. The Corporation's restricted net position of $25.4 million and $27.2 million as of June 30, 2020 and 2019, respectively, represent resources that are subject to various external restrictions. These amounts are generally restricted under debt or other agreements. The remaining balance in net position is classified as unrestricted and amounted to $50.6 million and $79.2 million as of June 30, 2020 and 2019, respectively.

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, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents (Notes 2E and 3)	$ 20,169,477	$ 5,824,479
Accounts receivable, net of allowance for doubtful accounts of $1,370,273 in 2020 and $792,174 in 2019 (Note 2F)	5,482,713	2,589,624
Grants receivable (Note 2D)	2,966,336	8,803,270
Prepaid expenses and other current assets (Notes 2G and 4)	2,905,008	1,265,630
Total current assets	31,523,534	18,483,003
Noncurrent assets		
Restricted cash and cash equivalents (Note 3)	30,661,006	72,161,216
Tenants' security deposits	8,639,168	8,633,648
Community development notes receivable (Notes 2I and 4)	40,747,183	76,093,099
Lease assets (Note 2D)	10,954,099	7,258,852
Capital assets, net (Notes 2J and 5)	582,185,229	558,433,467
Total noncurrent assets	673,186,685	722,580,282
TOTAL ASSETS	$ 704,710,219	$ 741,063,285
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Notes 8, 9 and 10)	$ 9,792,636	$ 12,188,309
Unearned revenues (Notes 2K and 6)	24,831,988	45,000,461
Development loans payable (Note 8)	62,631,872	7,143,609
Construction loan payable (Note 10)	1,420,114	1,502,942
Total current liabilities	98,676,610	65,835,321
Noncurrent liabilities		
Tenants' security deposits	8,637,716	8,146,035
Unearned revenues (Notes 2K and 6)	-	395,348
Development loans payable (Note 8)	107,868,064	150,631,921
Community development notes payable (Note 9)	58,030,000	101,550,000
Construction loan payable (Note 10)	4,564,264	5,867,352
Other long-term liabilities	1,842,999	1,885,850
Total noncurrent liabilities (Note 7)	180,943,043	268,476,506
Total liabilities	279,619,653	334,311,827
Net position (Note 2L)		
Net investment in capital assets	349,091,029	300,384,194
Restricted:		
Capital projects	23,943,849	24,789,361
Debt service and other reserves	1,483,504	2,376,394
Unrestricted	50,572,184	79,201,509
Total net position	425,090,566	406,751,458
TOTAL LIABILITIES AND NET POSITION	$ 704,710,219	$ 741,063,285

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, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Revenue from leases (Notes 2D and 12)		
Rents	$ 56,865,133	$ 50,613,350
Insurance	1,022,569	838,203
Utilities	8,096,418	6,438,178
Grants (Note 2D)	547,479	1,144,372
Other income	2,376,276	1,681,133
Total operating revenues (Note 2C)	68,907,875	60,715,236
OPERATING EXPENSES		
Property management		
Personnel and fringe benefits	14,992,994	14,046,252
Utilities	7,494,935	7,937,524
Property insurance	2,283,690	2,155,848
Brokerage and leasing	1,152	1,514,745
Provision for doubtful accounts	1,869,794	566,390
Rent	1,445,968	-
Transportation	779,657	-
Events, programs and exhibits	193,120	312,806
Operating and maintenance	4,925,733	4,780,833
Depreciation and amortization	28,639,555	28,791,147
Total property management	62,626,598	60,105,545
General and administrative		
Personnel and fringe benefits	9,288,995	8,424,279
Other	6,808,465	7,335,521
Total general and administrative	16,097,460	15,759,800
Total operating expenses (Note 2C)	78,724,058	75,865,345
Operating loss	(9,816,183)	(15,150,109)
NONOPERATING INCOME (EXPENSE)		
Interest expense (Notes 8, 9 and 10)	(7,935,097)	(8,278,630)
Forgiveness of debt (Note 9)	7,607,902	-
Financing costs incurred (Note 2L)	-	(3,016,565)
Interest income (Notes 2I and 4)	1,229,197	1,654,767
Loss before capital contributions	(8,914,181)	(24,790,537)
CAPITAL CONTRIBUTIONS		
Funding from The City of New York (Note 11)	26,877,291	46,477,746
Capital grants (Note 11)	440,325	4,016,937
Investor (distributions) contributions	(64,327)	2,568,872
Change in net position	18,339,108	28,273,018
Net position, beginning of year	406,751,458	378,478,440
Net position, end of year	$ 425,090,566	$ 406,751,458

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	$ 59,395,784	$ 57,915,082
Grants received	547,478	1,144,372
Other receipts	2,376,276	1,681,133
Payments to vendors and suppliers	(35,174,304)	(31,393,378)
Payments to employees	(16,452,619)	(15,874,834)
Net Cash Provided by Operating Activities	10,692,615	13,472,375
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	12,526,402	91,607,558
Purchases of capital assets	(54,883,947)	(65,985,598)
Financing costs incurred	-	(3,016,565)
Change in unearned revenue	-	131,478
Change in tenant security deposits payable	486,161	(487,613)
Proceeds from notes payable and loans payable	55,488,263	59,846,717
Repayments of notes and loans payable	(87,712,624)	(1,557,864)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(74,095,745)	80,538,113
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in community development notes receivable	35,345,916	(25,537,213)
Interest income	1,229,197	1,654,767
Forgiveness of debt	7,607,902	-
Interest expense	(7,935,097)	(8,278,630)
Net Cash Provided by (Used in) Investing Activities	36,247,918	(32,161,076)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(27,155,212)	61,849,412
Cash and cash equivalents, beginning of year	77,985,695	16,136,283
Cash and cash equivalents, end of year	$ 50,830,483	$ 77,985,695
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (9,816,183)	$ (15,150,109)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	28,639,555	28,791,147
Changes in operating assets and liabilities:		
Accounts receivable	(2,893,089)	(835,862)
Prepaid expenses and other current assets	(1,639,378)	367,615
Accounts payable and accrued expenses	96,958	(561,629)
Unearned revenue	(3,695,248)	861,213
Net Cash Provided by Operating Activities	$ 10,692,615	$ 13,472,375
RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:		
Unrestricted cash and cash equivalents	$ 20,169,477	$ 5,824,479
Restricted cash and cash equivalents	30,661,006	72,161,216
	$ 50,830,483	$ 77,985,695
Supplemental Disclosure of Cash Flow Information:		
Capitalized interest	$ 377,054	$ 313,198
Noncash capital and related financing transactions:		
Accrued capital asset expenditures	$ 5,233,651	$ 7,726,281

See accompanying notes to the financial statements.

NOTE 1 – BACKGROUND AND ORGANIZATION

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

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

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

Lease and Management Contract with The City

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

The Lease was amended effective June I, 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. In prior years, the Corporation advanced the funds for capital expenditures, resulting in a grant receivable from the City, which amounted to $1,416,145 and $4,253,149 at June 30, 2020 and 2019, 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.

Financial Reporting Entity

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

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

NOTE 1 – BACKGROUND AND ORGANIZATION (Continued)

The below organizations are included in the Corporation's reporting entity as blended component units. These organizations have been reported as blended component units because the Corporation owns a controlling interest in the organizations or the Corporation's Board comprises all or a majority of the voting board members of 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.

Building 77 Project ("Building 77")

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

Building 127 Project ("Building 127")

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

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

NOTE 1 – BACKGROUND AND ORGANIZATION (Continued)

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

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

Single Member LLCs

- On November 3, 2016, the Corporation created the following for-profit 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 Sterling National Bank and BNY Waterfront entered into a $31,680,000 loan agreement with Symetra Life Insurance Company. 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. As mentioned in Note 15, on September 4, 2020, BNY 72, LLC, BNY S 1/6, LLC, BNY S 25/30 LLC, each as a borrower, entered into a $58,000,000 loan agreement with The Variable Annuity Life Insurance Company, as lender. The respective interests of BNY 72, LLC, BNY S 1/6, LLC, and BNY S 25/30 LLC in those subleases collateralize, among other security instruments, the loan agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Measurement Focus and Basis of Accounting*

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

B. *Use of Estimates*

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Revenue and Expense Classification*

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

D. *Revenue Recognition*

Rent, Insurance and Utilities

Rent, insurance and utilities are recognized as revenue over the lease term as they become receivable according to the provisions of the lease, except that upfront lease payments received in advance of the period to which they apply are deferred and recognized as income during future periods.

Generally, the lease agreements are structured with rent increases over their term to cover anticipated increases in costs due to economic, regulatory and other factors. Where the lease includes lease incentives such as free or reduced rent for certain periods of time during the lease term, rent is recognized as revenue on a straight-line basis over term the term of the lease. The difference between rental income recognized on a straight-line basis and the amount of rental payments collected, which is attributable to free or reduced rent, is reported as lease assets within noncurrent assets in the accompanying statements of net position.

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 account receivables account.

G. *Prepaid Expenses*

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Fair Value Measurements*

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

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

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

I. *Community Development Notes Receivable*

Notes receivable are carried at their uncollected principal balance. Interest income on the notes is accrued at the contractual rate on the principal amount outstanding. The Corporation routinely evaluates the creditworthiness of its borrowers and establishes reserves where the Corporation believes collectability is no longer reasonably assumed. Notes receivable are written down once management determines that the specific borrower does not have the ability to repay the note in full. Allowances for credit losses and doubtful accounts are maintained in amounts considered to be appropriate in relation to the notes receivable outstanding based on collection experience, economic conditions and credit risk quality. Delinquency is the primary indicator of credit quality. As of June 30, 2020 and 2019, no allowance for loan losses was recorded for the Corporation's notes receivable.

J. *Capital Assets*

Machinery, office equipment, leasehold improvements/buildings and water/sewer systems are recorded at cost. Maintenance and repairs are charged to operations as incurred. Net interest costs on funds borrowed to finance the acquisition, construction or improvement of capital assets, during the period of acquisition, construction or improvement, are capitalized and depreciated over the life of the related assets once placed in service.

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

Asset	Years
Machinery and automobiles	3
Office equipment	2-5
Leasehold improvements	21-50
Tenant improvements	Life of lease
Water/sewer systems	21-75

K. *Unearned Revenues*

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Net Position*

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

M. *New Accounting Pronouncements*

The Corporation has adopted all current pronouncements of GASB that are applicable. During the year ended June 30, 2020, the Corporation adopted the following GASB statements:

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, ("GASB 84"). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. The adoption of GASB 84 did not have an impact on the Corporation's financial statements, as it does not enter into fiduciary activities.

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

- In June 2017, GASB issued Statement No. 87, *Leases*, ("GASB 87"). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

  The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. However, with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* ("GASB 95") in May 2020, the effective date of GASB 87 was postponed to reporting periods beginning after June 15, 2021. The Corporation has not completed the process of evaluating the impact of GASB 87 on its financial statements.

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* ("GASB 89"). The objectives of GASB 89 are to enhance the relevance of comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2019. However, with the issuance of GASB 95 in May 2020, the effective date of GASB 89 was postponed to reporting periods beginning after December 15, 2020. The Corporation has not completed the process of evaluating the impact of GASB 89 on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. *New Accounting Pronouncements (Continued)*

- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* ("GASB 91"). GASB 91 is effective for reporting periods beginning after December 15, 2020. However, with the issuance of GASB 95 in May 2020, the effective date of GASB 91 was postponed to reporting periods beginning after December 15, 2021. Conduit debt obligations are debt instruments issued by state and local governments to provide financing for a third party, which is primarily liable for repaying the debt instrument. GASB 91 updates Interpretation No. 2, "Disclosure of Conduit Debt Obligations," which allowed for variations with the option for government issuers to either recognize conduit debt obligations as their own debt or to disclose them. GASB 91 addresses variation in practice by clarifying exactly what a conduit debt obligation is and eliminating the option for government issuers to recognize conduit debt obligations, thereby providing a single method of reporting. GASB 91 is not expected to have an impact on the Corporation's financial statements.

- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*, ("GASB 92"). GASB 92 is generally effective for reporting periods beginning after June 15, 2020. However, with the issuance of GASB 95 in May 2020, the effective date of GASB 92 was postponed to reporting periods beginning after June 15, 2021. The objective of GASB 92 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 is not expected to have an impact on the Corporation's financial statements.

- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates,* ("GASB 93"). Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate ("IBOR") – most notably, the London Interbank Offered Rate ("LIBOR"). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

  The objective of GASB 93 is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. However, with the issuance of GASB 95 in May 2020, the effective date of GASB 93 was postponed for one year. The Corporation has not completed the process of evaluating GASB 93's impact on its financial statements.

- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* ("GASB 94"). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Corporation has not completed the process of evaluating GASB 94 but does not expect it to have an impact on the Corporation's financial statements.

- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. *New Accounting Pronouncements (Continued)*

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements,* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Corporation has not completed the process of evaluating GASB 96 but does not expect it to have an impact on the Corporation's financial statements.

  In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* ("GASB 97"). The objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Corporation has not completed the process of evaluating GASB 97 but does not expect it to have an impact on the Corporation's financial statements.

NOTE 3 – CASH AND CASH EQUIVALENTS

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

	2020	2019
Current Assets		
Cash and Cash Equivalents		
Cash	$ 20,169,477	$ 5,824,479
Cash Equivalents (U.S. Government Money Market Fund)	-	-
	20,169,477	5,824,479
Noncurrent Assets		
Restricted Cash and Cash Equivalents		
Cash	15,879,248	50,640,067
Cash Equivalents (U.S. Government Money Market Fund)	14,781,758	21,521,149
	30,661,006	72,161,216
Total Cash and Cash Equivalents		
Cash	36,048,725	56,464,546
Cash Equivalents (U.S. Government Money Market Fund)	14,781,758	21,521,149
	$ 50,830,483	$ 77,985,695

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

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 $14,781,758 and $21,521,149 as of June 30, 2020 and 2019, respectively, are valued based upon quoted prices in active markets (Level 1).

Investment Policy

Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, certificates of deposit and bank deposits with financial institutions that are covered by federal depository insurance, money market mutual funds, corporate and bank issued securities and commercial paper. The objective of these investments is to preserve capital, maintain liquidity and mitigate credit and interest rate risk. As of June 30, 2020 and 2019, cash and cash equivalents consisted of bank deposits and U.S. government money market mutual funds and, accordingly, the Corporation was not exposed to any interest rate or credit risk.

Custodial Credit Risk

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

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

As of June 30, 2020, the bank deposit balances were held with six banks and amounted to $50,830,483, of which $1,383,356 was covered by federal depository insurance and $44,609,922 was collateralized. The remaining balance of $4,837,205 was uninsured and uncollateralized and exposed to custodial credit risk.

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

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

		2020	2019
BNYDC			
City capital funds	**A**	$ 24,425,163	$ 44,040,149
Capital reserve		536,345	529,926
Other		175,839	13,878
		25,137,347	44,583,953
Building 77			
Interest reserves	**B**	40,461	69,162
Fee and expense reserves	**B**	109,500	170,250
Operating and other reserves		300	300
		150,261	239,712
Building 127			
Construction reserve	**C**	4,215,994	25,214,747
Fee and expense reserves	**B**	1,064,042	1,263,742
		5,280,036	26,478,489
Building 128			
Lease up reserve	**D**	82,213	742,160
Fee and expense reserves	**B**	94	105,841
Operating reserve		11,055	11,061
		93,362	859,062
		$ 30,661,006	$ 72,161,216

A. The City capital funds as of June 30, 2020 primarily consist of capital funds advanced by the City for the Sands Street Industrial Center construction project amounting to $2.4 million, the Steiner Naval Annex site infrastructure reconstruction project amounting to $11.3 million, and Nanotronics amounting to $2.6 million.

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 3 – CASH AND CASH EQUIVALENTS (Continued)

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

NOTE 4 – COMMUNITY DEVELOPMENT NOTES RECEIVABLE

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

Borrower	2020	2019
Building 128 NMTC Investment Fund LLC ("128 NMTC")	$ -	$ 21,029,946
BNY Building 77 NMTC Investment Fund LLC ("77 NMTC")	10,337,861	10,337,861
BNY Building 77 Eastern Tower NMTC Investment Fund LLC ("77 Eastern")	5,456,322	5,456,322
BNY Building 77 WICME NMTC Investment Fund LLC ("77 WICME")	-	14,315,970
Building 127 NMTC Investment Fund LLC ("127 NMTC")	24,953,000	24,953,000
	$ 40,747,183	$ 76,093,099

128 NMTC

On September 6, 2012, the Corporation extended a loan to 128 NMTC in the original amount of $17,687,500 to assist in the financing of three community development entities ("CDEs") that provided funding for the rehabilitation of 215,000 square feet of commercial space at Buildings 28, 123 and 128 (the "Buildings") (see Note 8). The loan bears interest at the rate of 3.95% a year (the "Initial Rate") on the principal balance until December 31, 2019 (the "Adjustment Date"), and thereafter at the rate of 1.263% a year (the "Loan Payment Interest Rate").

From September 6, 2012 to December 31, 2019 (the "Accrual Period"), interest on the original principal balance (i.e., $17,687,500) shall be payable at the Loan Payment Interest Rate. During the Accrual Period, an amount equal to the difference between the interest on the outstanding principal balance computed at the Initial Rate and interest on the original principal balance computed at the Loan Payment Interest Rate ("Capitalized Interest") shall accrue and be added to the outstanding principal balance as of January 1 of the year following the year in which such interest accrued. During the Accrual Period, interest only on the principal balance shall be payable for each calendar year annually on November 15, with interest calculated partially in arrears and partially in advance for said calendar year. Any unpaid and accrued interest on the loan shall be added to the principal.

NOTE 4 – COMMUNITY DEVELOPMENT NOTES RECEIVABLE (Continued)

128 NMTC (Continued)

Interest income on the loan during the years ended June 30, 2020 and 2019, which is included in interest income in the accompanying statements of revenues, expenses and changes in net position, amounted to $276,894 and $819,145, respectively. Accrued interest receivable at June 30, 2020 and 2019, which is included in prepaid expenses and other current assets in the accompanying statements of net position, amounted to $0 and $415,342, respectively.

The loan had an original maturity date of November 15, 2042 (the “Maturity Date”). Following the Adjustment Date, payments of principal and interest shall be made annually on November 15 each year based on a 23-year amortization. The entire outstanding principal balance and all interest accrued and unpaid thereon shall be fully due and payable on Maturity Date, unless sooner accelerated pursuant to the terms of the promissory note and other loan documents.

The loan is collateralized by a pledge of all of 128 NMTC’s interests in the CDEs and certain bank accounts pursuant to various security agreements executed by 128 NMTC.

In December 2019, the Corporation assumed the debt of GMC Landlord payable to the CDEs, equal to the amount of its leverage loan of $21,232,376. See Note 9.

77 NMTC

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

Interest income on the loan, which is included in interest income in the accompanying statements of revenues, expenses and changes in net position, amounted to $133,151 for each of the years ended June 30, 2020 and 2019, respectively. Accrued interest receivable at June 30, 2020 and 2019, which is included in prepaid expenses and other current assets in the accompanying statements of net position, amounted to $33,288 for each year.

The loan matures on January 1, 2042 (the “Maturity Date”). Following the Amortization Date, payments of principal and interest shall be made quarterly on January 10, April 10, July 10 and October 10 each year based on a 240-month amortization. The entire outstanding principal balance and all interest accrued and unpaid thereon shall be fully due and payable on Maturity Date, unless sooner accelerated pursuant to the terms of the promissory note and other loan documents.

The loan is collateralized by a pledge of all of 77 NMTC’s interests in the CDEs and certain bank accounts pursuant to various security agreements executed by 77 NMTC.

77 Eastern

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

NOTE 4 – COMMUNITY DEVELOPMENT NOTES RECEIVABLE (Continued)

77 Eastern (Continued)

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

Interest income on the loan, which is included in interest income in the accompanying statements of revenues, expenses and changes in net position, amounted to $54,563 for each of the years ended June 30, 2020 and 2019. Accrued interest receivable at June 30, 2020 and 2019, which is included in prepaid expenses and other current assets in the accompanying statements of net position, amounted to $13,641.

The loan matures on January 1, 2041 (the "Maturity Date"). From April 10, 2022 and through the Maturity Date, payments of principal and interest shall be made quarterly in arrears on January 10, April 10, July 10 and October 10 each year based on a 228-month amortization. The entire outstanding principal balance and all interest accrued and unpaid thereon shall be fully due and payable on the Maturity Date, unless sooner accelerated pursuant to the terms of the promissory note and other loan documents.

The loan is collateralized by a pledge of all of 77 Eastern's interests in the CDE and certain bank accounts pursuant to various security agreements executed by 77 Eastern.

77 WICME

On May 26, 2016, the Corporation extended a loan to 77 WICME in the amount of $14,315,970 to pay a lender who financed 77 WICME's equity investment in certain CDEs ("WICME CDE Investments"). The WICME CDE Investments provided the funding for the rehabilitation of certain improvements located in the Navy Yard into approximately 1,000,000 square feet of office, light industrial and retail space. The loan matures on January 1, 2044 (the "Maturity Date") and bears interest at the rate of 1.000% a year. From May 26, 2016 to January 10, 2022, interest only on the principal balance accrued during the respective preceding calendar quarters shall be payable on January 10, April 10, July 10 and October 10. Any unpaid and accrued interest on the loan shall be added to the principal.

Interest income on the loan, which is included in interest income in the accompanying statements of revenues, expenses and changes in net position, amounted to $25,934 and $146,341 during the years ended June 30, 2020 and 2019, respectively. Accrued interest receivable at June 30, 2020 and 2019, which is included in prepaid expenses and other current assets in the accompanying statements of net position, amounted to $0 and $36,188, respectively.

From April 10, 2022 and through the Maturity Date, payments of principal and interest shall be made quarterly in arrears on January 10, April 10, July 10 and October 10 each year based on a 264-month amortization. The entire outstanding principal balance and all interest accrued and unpaid thereon shall be fully due and payable on the Maturity Date, unless sooner accelerated pursuant to the terms of the promissory note and other loan documents.

The loan is collateralized by a pledge of all of 77 WICME's interests in the CDE and certain bank accounts pursuant to various security agreements executed by 77 WICME.

In December 2019, the Corporation assumed the debt of Building 77 QALICB payable to the community development entities, equal to the amount of its leverage loan of $14,315,970. See Note 9.

NOTE 4 – COMMUNITY DEVELOPMENT NOTES RECEIVABLE (Continued)

127 NMTC

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

Interest income on the loan, which is included in interest income in the accompanying statements of revenues, expenses and changes in net position, amounted to $249,530 and $191,229 during the years ended June 30, 2020 and 2019.

Maturities of Notes Receivable

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

Fiscal Year Ending June 30	Principal *	Interest *	Total
2021	$ -	$ 437,245	$ 437,245
2022	358,043	483,292	841,335
2023	722,468	429,101	1,151,569
2024	731,062	420,507	1,151,569
2025	739,760	411,809	1,151,569
2026-2030	21,751,496	1,136,812	22,888,308
2031-2035	6,834,400	730,048	7,564,448
2036-2040	7,224,312	340,135	7,564,447
2041-2043	2,385,642	26,391	2,412,033
	$ 40,747,183	$ 4,415,340	$ 45,162,523

* Includes the effect of future interest on 128 NMTC loan to be capitalized into principal.

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2020:

	Balance 6/30/19	Additions	Dispositions/ Reclassifications	Balance 6/30/20
Nondepreciable:				
Construction in progress	$ 39,794,194	$ 62,386,895	$ 23,014,052	$ 79,167,037
Total nondepreciable capital assets	39,794,194	62,386,895	23,014,052	79,167,037
Depreciable:				
Leasehold improvements, including buildings and water and sewer systems	742,250,345	19,180,720	6,805,559	754,625,506
Machinery and vehicles	4,385,034	167,529	769,437	3,783,126
Office equipment	2,305,862	84,690	-	2,390,552
Total depreciable capital assets	748,941,241	19,432,939	7,574,996	760,799,184
Less: accumulated depreciation:				
Leasehold improvements, including buildings and water and sewer systems	225,382,025	27,133,347	-	252,515,372
Machinery and vehicles	3,123,566	849,753	769,437	3,203,882
Office equipment	1,796,377	265,361	-	2,061,738
Total accumulated depreciation	230,301,968	$ 28,248,461	$ 769,437	257,780,992
Total net depreciable capital assets	518,639,273			503,018,192
Total net capital assets	$ 558,433,467			$ 582,185,229

NOTE 5 – CAPITAL ASSETS (Continued)

The following is a summary of capital asset activity for the year ended June 30, 2019:

	Balance 6/30/18	Additions	Dispositions/ Reclassifications	Balance 6/30/19
Nondepreciable:				
Construction in progress	$ 1,472,671	$ 70,738,433	$ 32,416,910	$ 39,794,194
Total nondepreciable capital assets	1,472,671	70,738,433	32,416,910	39,794,194
Depreciable:				
Leasehold improvements, including buildings and water and sewer systems	709,833,435	32,416,910	-	742,250,345
Machinery and vehicles	4,015,321	369,713	-	4,385,034
Office equipment	1,863,598	442,264	-	2,305,862
Total depreciable capital assets	715,712,354	33,228,887	-	748,941,241
Less: accumulated depreciation:				
Leasehold improvements, including buildings and water and sewer systems	199,083,824	26,298,201	-	225,382,025
Machinery and vehicles	2,331,850	791,716	-	3,123,566
Office equipment	1,645,815	150,562	-	1,796,377
Total accumulated depreciation	203,061,489	$ 27,240,479	$ -	230,301,968
Total net depreciable capital assets	512,650,865			518,639,273
Total net capital assets	$ 514,123,536			$ 558,433,467

NOTE 6 – UNEARNED REVENUES

Unearned revenues consisted of the following at June 30:

	2020		2019	
	Current	Noncurrent	Current	Noncurrent
Current with the City for the rehabilitation of capital assets	$ 24,414,053	$ -	$ 44,029,037	$ -
FC Modular	395,348	-	948,837	395,348
Cogeneration Partners	11,112	-	11,112	-
Other	11,475	-	11,475	-
Total	$ 24,831,988	$ -	$ 45,000,461	$ 395,348

NOTE 7 – LONG-TERM LIABILITIES

The following summarizes the changes in the Corporation's long-term liabilities for the year ended June 30, 2020:

	Balance 6/30/2019	Increases	Reductions	Balance 6/30/2020	Due Within One Year	Due After One Year
Tenant's security deposits	$ 8,146,035	$ 491,681	$ -	$ 8,637,716	$ -	$ 8,637,716
Unearned revenues	45,395,809	-	20,563,821	24,831,988	24,831,988	-
Development loans payable	157,775,530	14,466,223	1,741,817	170,499,936	62,631,872	107,868,064
Community development notes payable	101,550,000	-	43,520,000	58,030,000	-	58,030,000
Construction loan payable	7,370,294	-	1,385,916	5,984,378	1,420,114	4,564,264
Other long-term liabilities	1,885,850	-	42,851	1,842,999	-	1,842,999
Total long-term liabilities	$ 322,123,518	$ 14,957,904	$ 67,254,405	$ 269,827,017	$ 88,883,974	$ 180,943,043

The following summarizes the changes in the Corporation's long-term liabilities for the year ended June 30, 2019:

	Balance 6/30/2018	Increases	Reductions	Balance 6/30/2019	Due Within One Year	Due After One Year
Tenant's security deposits	$ 7,518,551	$ 627,484	$ -	$ 8,146,035	$ -	$ 8,146,035
Unearned revenues	6,915,293	38,480,516	-	45,395,809	45,000,461	395,348
Development loans payable	134,430,000	24,416,160	1,070,630	157,775,530	7,143,609	150,631,921
Community development notes payable	66,220,000	35,330,000	-	101,550,000	-	101,550,000
Construction loan payable	8,773,167	-	1,402,873	7,370,294	1,502,942	5,867,352
Other long-term liabilities	869,654	1,016,196	-	1,885,850	-	1,885,850
Total long-term liabilities	$ 224,726,665	$ 99,870,356	$ 2,473,503	$ 322,123,518	$ 53,647,012	$ 268,476,506

NOTE 8 – DEVELOPMENT LOANS PAYABLE

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

Lender	2020	2019
NYCRC Brooklyn Navy Yard Development Fund, LLC ("NYCRC $42,000,000 Loan")	$ 42,000,000	$ 42,000,000
NYCRC Brooklyn Navy Yard Development Fund, IV, LLC ("NYCRC $30,000,000 Loan")	30,000,000	30,000,000
Sterling National Bank ("Sterling Loan")	29,999,495	30,541,987
Symetra Life Insurance Company ("Symetra Loan")	29,650,522	30,817,383
Building 127:		
GSUIG Real Estate Member LLC	17,844,500	17,844,500
Local Initiatives Support Corporation ("LISC")	5,063,125	5,063,125
GSUIG Real Estate Member LLC Line of Credit	2,028,518	1,008,535
Sterling National Bank Line of Credit	9,967,536	500,000
SBA Paycheck Protection Program Loan	3,946,240	-
	$ 170,499,936	$ 157,775,530

NYCRC $42,000,000 Loan

On July 26, 2012, the Corporation entered into a credit agreement with the NYCRC Brooklyn Navy Yard Development Fund, LLC (“NYCRC LLC”) to borrow up to $42,000,000 to finance improvements to a building in the Navy Yard (“Building 77”). The credit agreement provides for interest at a fixed rate of 3% per annum. The loans under agreement are due on the fifth anniversary date of the last loan draw, which occurred on August 10, 2015 (the “Maturity Date”). The loan may not be prepaid, in whole or in part, prior to Maturity Date. The Maturity Date may be extended from time to time up to an additional five years (the “Extended Term”), subject to certain terms and conditions, including an increase in interest rate up to 6% per annum and an ability to prepay the loan during the Extended Term. Payments due during the term of the loan consists 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 $1,281,000 and $1,277,500 for years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, there was no accrued interest.

The loans are collateralized by an assignment of all rents, income and profits arising from all leases (except as specified in the credit agreement), subleases, tenancies or occupancy agreements or otherwise arising from the use or occupation of all the premises, as defined in the assignment of rent agreement, within the Navy Yard. Further, the Corporation has granted NYCRC LLC a first and prior security interest on, subject only to certain exclusions specified in the security agreement, in and to all of the Corporation’s 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. The loans, subject to the terms of the subordination and inter-creditor agreements, are junior and subordinate to the indebtedness under the NYCRC $30,000,000 Loans.

NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

NYCRC $30,000,000 Loan

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

Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $1,281,000 and $1,277,500 during the years ended June 30, 2020 and 2019, respectively.

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.

Sterling Loan

On December 22, 2016, BNY 10, BNY 121/Gatehouse, BNY 25/268 and BNY 500 (collectively, the "Sterling Borrowers") entered into a loan agreement with 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 5% to 1% 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 $1,369,052 and $1,385,175 during the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, there was no accrued interest.

The loan is collateralized by, among other security, following: (i) grant to Sterling by the Sterling Borrowers of an ongoing security interests in various assets pursuant to security agreement between Sterling and the Sterling Borrowers; (ii) assignment to Sterling of the Corporation's membership interests in the Sterling Borrowers; (iii) assignment to Sterling of all of the Sterling 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 Sterling, the Sterling Borrowers and the Corporation; and (iv) and mortgage of such premises to Sterling.

NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

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 $1,254,904 and $1,298,397 during the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, 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. Further, subject to the provisions of a subordination and intercreditor agreement dated December 22, 2016 among Symetra (as senior lender), NYCRC LLC (as subordinate lender), BNY Waterfront and the Corporation, NYCRC LLC subordinates its NYCRC $42,000,000 Loan and underlying loan documents to the Symetra Loan and underlying security documents.

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 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 $1,166,336 and $902,139 during the years ended June 30, 2020 and 2019. As of June 30, 2020 and 2019, there was accrued interest of $289,973 and $0, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position.

Local Initiatives Support Corporation (Bridge Loan)

On September 21, 2018, the Corporation entered into a promissory note with Local Initiatives Support Corporation in the amount of $5,063,125. The loan is secured by the assets of the Corporation. The note bears interest at a rate of 5.00% per annum. Quarterly payments of interest only are due commencing on October 1, 2018. The loan matures on September 21, 2021 at which time all remaining principal and interest will be due. 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 $257,375 and $198,306 during the years ended June 30, 2020 and 2019. As of June 30, 2020 and 2019, there was accrued interest of $63,992 and $0, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position.

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 September 21, 2022. 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 $124,371 and $45,355 during the years ended June 30, 2020 and 2019. As of June 30, 2020 and 2019, there was accrued interest of $37,979 and $0, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position.

Sterling National Bank Line of Credit

On October 25, 2017, the Corporation entered into a revolving line of credit agreement with Sterling National Bank in the amount of $5,000,000. On February 25, 2019, the Corporation amended this line of credit agreement to increase the maximum borrowing amount to $10,000,000. The proceeds of the line of credit shall be used by the Corporation solely for working capital purposes, including to finance tenant improvements, to bridge projects to be funded by the City until such funds are received, and other general corporate purposes of the Corporation. Such borrowings are secured by the assets of the Corporation. Interest on the unpaid principal amount is charged at a rate per annum equal to the greater of (i) the prime rate plus 0.25% or (ii) 4.00%. The unpaid principal amount of the Revolving Loans and all interest accrued thereon and costs and expenses then due and owing in a single installment on the maturity date of February 28, 2021. As of June 30, 2020 and 2019, the outstanding borrowings on the line of credit amounted to $9,967,536 and $500,000, respectively. 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 $111,679 and $8,625 during the years ended June 30, 2020 and 2019. As of September 30, 2020, the outstanding borrowings on the line of credit amounted to $9,967,536.

SBA Paycheck Protection Program Loan

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (SBA) sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

The Corporation applied for this loan through an SBA authorized lender. The loan, amounting to $3,946,240, was approved on April 11, 2020 and received on April 13, 2020.

NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

Maturities of Development Loans Payable

The aggregate annual principal and interest due on the development loans payable, assuming no extensions of maturity dates with respect to the NYCRC $42,000,000 Loan and the NYCRC $30,000,000 loan, are as follows for the years ended June 30:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	$ 62,631,872	$ 5,876,562	$ 68,508,434
2022	32,062,983	5,171,371	37,234,354
2023	4,304,673	3,530,907	7,835,580
2024	2,382,636	3,424,426	5,807,062
2025	2,501,458	3,305,605	5,807,063
2026-2030	27,154,119	11,142,973	38,297,092
2031-2035	32,718,445	3,957,742	36,676,187
2036-2040	6,743,750	452,297	7,196,047
	$ 170,499,936	$ 36,861,883	$ 207,361,819

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

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE

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

BNYDC Entity/CDE Lender	2020	2019
GMC Landlord promissory notes dated September 6, 2012 ("GMC Notes"):		
ESNMC Subsidiary CDE II, LLC ("ESNMC")		
ESNMC Loan A	$ -	$ 8,490,000
ESNMC Loan B	-	3,150,000
Empowerment Reinstatement Fund XXI, LLC ("ERF")		
ERF Loan A	-	5,660,000
ERF Loan B	-	2,020,000
GSNMF SUB-CDE-4LLC (GSNMF-4")		
GSNMF-4 Loan A	-	3,537,500
GSNMF-4 Loan B	-	1,462,500
	-	24,320,000

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

BNYDC Entity/CDE Lender	2020	2019
Building 77 QALICB promissory notes dated December 22, 2014 ("Building 77 2014 Notes"):		
GSNMF SUB-CDE 17 LLC ("GSNMF-17")		
GSNMF-17 Loan A	$ 3,448,930	$ 3,448,930
GSNMF-17 Loan B	1,551,070	1,551,070
DVCI CDE XXIV, LLC ("DVCI XXIV")		
DVCI XXIV Loan A	6,888,931	6,888,931
DVCI XXIV Loan B	2,811,069	2,811,069
	14,700,000	14,700,000
Building 77 QALICB promissory notes dated May 26, 2016 ("Building 77 2016 Notes"):		
GSNMF SUB-CDE 21 LLC ("GSNMF-21")		
GSNMF-21 Loan A	5,441,600	5,441,600
GSNMF-21 Loan B	2,558,400	2,558,400
BRP SUB-CDE TWO, LLC ("BRP")		
BRP Loan A	-	13,975,890
BRP Loan B	-	5,224,110
	8,000,000	27,200,000
127 QALICB promissory notes dated September 21, 2018 ("127 2018 Notes")		
GSNMF Sub-CDE 29 LLC ("GSNMF-29")		
GSNMF-29 Loan A	3,364,306	3,364,306
GSNMF-29 Loan B	1,635,694	1,635,694
CDE 41 LLC ("MBS")		
MBS Loan A	4,780,028	4,780,028
MBS Loan B	2,079,972	2,079,972
NYCR SUB-CDE 1, LLC ("NYCR")		
NYCR Loan A	8,524,333	8,524,333
NYCR Loan B	3,235,667	3,235,667
NYCNCC Sub-CDE 5, LLC ("NYCNCC")		
NYCNCC Loan A	4,920,028	4,920,028
NYCNCC Loan B	1,939,972	1,939,972
DVCI CDE XLIV, LLC ("DVCI XLIV")		
DVCI XLIV Loan A	3,364,305	3,364,305
DVCI XLIV Loan B	1,485,695	1,485,695
	35,330,000	35,330,000
	$ 58,030,000	$ 101,550,000

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

GMC Notes

On September 6, 2012, GMC Landlord entered into a loan agreement with ESNMC, ERF and GSNMF to finance improvements to certain buildings in the Navy Yard (the “Buildings”). The loan agreement is secured by the property and consists of six promissory as listed above. Each of the promissory notes bear interest at 1% per annum. From September 6, 2012 to December 31, 2019, interest only shall be payable annually, commencing November 1, 2012 through November 1, 2019, for interest accruing through the end of the calendar year that the interest is due. Commencing November 1, 2020 and annually through maturity on November 1, 2042, annual payments of principal and interest shall be due on each of the promissory notes as follows: $415,041 for ESNMC Loan A; $151,057 for ESNMC Loan B; $276,694 for ERF Loan A; $97,772 for ERF Loan B; $172,934 for GSNMF-4 Loan A; and $71,496 for GSNMF-4 Loan B.

Interest incurred on the GMC Notes, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $319,494 and $364,800 during the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, there was accrued interest of $0 and $121,600, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position.

Under the loan agreement, ESNMC and ERF each earns an annual asset management fee of $42,000 and $60,000, respectively, prorated for partial years, commencing on November 15, 2012 and continuing for the term of the respective loans. For the years ended June 30, 2020 and 2019, ESNMC and ERF asset management fees totaled $0 and $323,098, respectively.

Further, ESNMC and ERF each receives a CDE expense reimbursement of $12,500, commencing on November 15, 2012 and continuing for the term of the respective loans. In 2019, there will be a CDE expense reimbursement to each of ESNMC and ERF equal to two annual installments in the amount of $12,500 each, both payable on September 6, 2019. For the years ended June 30, 2020 and 2019, ESNMC and ERF CDE expense reimbursements totaled $25,000.

As mentioned in Note 4, in December 2019, the Corporation assumed the debt of GMC Landlord to the CDEs, as held by the Investment Fund. The Investment Fund was dissolved pursuant to its operating agreement and assigned the ESNMC, ERF and GSNMF Loans to the Corporation in full satisfaction of the Corporation’s leverage loan. The remainder was recognized as a cancellation of debt income to GMC Landlord and included as forgiveness of debt in the June 30, 2020 statement of activities.

Building 77 2014 Notes

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

Interest incurred on the Building 77 2014 Notes, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $147,000 for each of the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, there was no accrued interest.

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

Building 77 2014 Notes (Continued)

In accordance with the Corporation's loan agreement, DVCI XXIV earns an asset management fee in the amount of $50,000 annually, prorated for partial years, commencing on November 15, 2012 and continuing for the term of the DVCI XXIV loan. For the years ended June 30, 2020 and 2019, DVCI XXIV asset management fees of $50,000 have been incurred and paid.

In accordance with the Corporation's loan agreement, an audit and tax expense reimbursement to DVCI XXIV equal to $10,570 is due annually from the DVCI XXIV Fee Reserve, commencing on November 15, 2012 and continuing for the term of the DVCI XXIV loan. For the years ended June 30, 2020 and 2019, DVCI XXIV asset management fees of $10,750 and $10,570, respectively, have been incurred and paid.

The aggregate annual principal and interest due on the Building 77 2014 Notes is as follows for the years ending June 30:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	$ -	$ 147,000	$ 147,000
2022	115,071	147,000	262,071
2023	463,166	144,116	607,282
2024	467,815	139,467	607,282
2025	472,511	134,771	607,282
2026-2030	2,434,658	601,754	3,036,412
2031-2035	2,559,326	477,086	3,036,412
2036-2040	2,690,378	346,034	3,036,412
2041-2045	2,828,140	208,272	3,036,412
2046-2050	2,668,935	63,836	2,732,771
	$ 14,700,000	$ 2,409,336	$ 17,109,336

Building 77 2016 Notes

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

Interest incurred on the Building 77 2016 Notes, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $96,688 and $238,128 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, there was no accrued interest.

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

Building 77 2016 Notes (Continued)

In accordance with the Corporation's loan agreement, BRP CDE, LLC ("Allocatee") earns a management fee in the amount of $250,000 which is payable in installments commencing on May 26, 2016. The final installment was paid on May 26, 2019. For the years ended June 30, 2020 and 2019, Allocatee management fees of $0 and $13,805, respectively, have been incurred and paid.

As mentioned in Note 4, in December 2019, the Corporation assumed the debt of Building 77 QALICB to the CDEs, as held by the Investment Fund. The Investment Fund was dissolved pursuant to its operating agreement and assigned BRP Loan A of $13,975,890 and BRP Loan B of $5,224,110 to the Corporation in full satisfaction of the leverage loan of $14,315,970. The remainder of $4,884,030 was recognized as a cancellation of debt income to Building 77 QALICB and included as forgiveness of debt in the June 30, 2020 statement of activities.

The aggregate annual principal and interest due on the Building 77 2016 Notes is as follows for the years ended June 30:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	$ -	$ 68,400	$ 68,400
2022	63,936	68,400	132,336
2023	257,115	67,030	324,145
2024	259,321	64,825	324,146
2025	261,545	62,601	324,146
2026-2030	1,341,764	278,965	1,620,729
2031-2035	1,400,305	220,425	1,620,730
2036-2040	1,461,399	159,331	1,620,730
2041-2045	1,525,159	95,571	1,620,730
2046-2050	1,429,456	29,202	1,458,658
	$ 8,000,000	$ 1,114,750	$ 9,114,750

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.

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

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

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

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.

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

127 2018 Notes (Continued)

Interest incurred on the 127 2018 Notes, which was capitalized into construction in progress, amounted to $377,054 and $313,198 for the years ended June 30, 2020 and 2019, respectively.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2021	$ -	$ 377,054	$ 377,054
2022	-	377,054	377,054
2023	-	377,054	377,054
2024	-	377,054	377,054
2025	-	377,054	377,054
2026-2030	18,450,873	1,031,600	19,482,473
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
2051-2053	2,264,342	36,349	2,300,691
	$ 35,330,000	$ 5,071,146	$ 40,401,146

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 commence 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 $164,404 and $110,384 during the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, there was accrued interest of $0 and $14,986, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position.

NOTE 10 – CONSTRUCTION LOAN PAYABLE (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2021	$ 1,420,114	$ 130,207	$ 1,550,321
2022	1,455,155	95,166	1,550,321
2023	1,491,060	59,261	1,550,321
2024	1,527,852	22,469	1,550,321
2025	90,197	183	90,380
	$ 5,984,378	$ 307,286	$ 6,291,664

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, 2020 and 2019, the Corporation recognized $26,877,291 and $46,477,746, respectively, as non-operating revenue for rehabilitation work completed with City capital funds.

Other Capital Grants

During the years ended June 30, 2020 and 2019, the Corporation received capital funds of $440,325 and $4,016,937, respectively, from the Empire State Development Corporation and other grantors to facilitate improvements to the Navy Yard.

NOTE 12 – LEASES WITH TENANTS

The Corporation has lease commitments from over 350 commercial tenants for space for periods ranging from one to forty-four years. Minimum future rental income from those leases is as follows for the years ended June 30:

2021	$ 47,809,452
2022	44,576,044
2023	41,218,328
2024	38,276,864
2025	34,556,084
2026-2030	146,057,152
2031-2035	112,976,809
2036-2040	94,914,294
2041-2045	58,482,697
2046-2050	37,460,384
2051-2055	30,232,879
2056-2060	23,325,795
2061-2064	9,548,226
	$ 719,435,008

NOTE 12 – LEASES WITH TENANTS (Continued)

Total contingent rentals, which arise primarily from a percentage of the lessees' gross revenues and parking revenue rents, amounted to $1,700,515 and $2,139,981 for the years ended June 30, 2020 and 2019, respectively.

Leased buildings and improvements had asset costs of $754,625,506, accumulated depreciation of $252,515,372, and carrying costs of $502,110,134 as of June 30, 2020. Leased buildings and improvements had asset costs of $742,250,345, accumulated depreciation of $225,382,025, and carrying costs of $516,868,320 as of June 30, 2019.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Corporation is obligated under a sublease agreement the rental of premises in the Navy Yard. The sublease expires June 29, 2061.

The minimum annual rental payments under the lease are as follows:

2021	$	2,433,634
2022		2,561,720
2023		2,561,720
2024		2,561,720
2025		2,695,000
2026-2030		15,755,080
2031-2035		18,555,515
2036-2040		20,410,583
2041-2045		22,452,045
2046-2050		24,698,328
Thereafter		684,578,510
	$	799,263,855

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.

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the industries in which the Corporation operates. The extent of the impact of COVID-19 on the Corporation's business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Corporation operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

NOTE 14 – 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, 2020 and 2019, contributions of 14% of eligible compensation were made to this plan. Pension expense for the years ended June 30, 2020 and 2019 amounted to $1,309,982 and $1,037,034, 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 the years ended June 30, 2020 and 2019, discretionary profit-sharing contributions of $1.75 and $1.50 per hour, respectively, (to a maximum of 80 hours for both years) and $1 per hour (to a maximum of 80 hours) per pay period were made to this plan. As of January 1, 2020, the $1.00 per hour for Shuttle Drivers is no longer applicable as the Corporation no longer employs Shuttle Drivers. Pension expense for the years ended June 30, 2020 and 2019 amounted to $194,084 and $161,772, respectively.

NOTE 15 – SUBSEQUENT EVENTS

On September 4, 2020, the BNY S 1/6, LLC, BNY S 25/30 LLC and BNY 72, LLC, 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.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPERTY MANAGEMENT REVENUE AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES	$ 68,907,875	$ 60,715,236
EXPENSES		
Direct expenses		
Utilities		
Electric	5,653,155	5,382,881
Steam	948,341	1,835,243
Water	618,483	719,400
Natural gas	274,956	-
Payroll and related fringe benefits		
Protective services and transportation	3,878,189	3,813,842
Maintenance, utilities and engineering	6,260,595	5,929,822
Fringe benefits	4,854,210	4,302,588
Other direct expenses		
Materials, supplies and building maintenance	4,925,733	4,780,833
Events, programs and exhibits	193,120	312,806
Property insurance	2,283,690	2,155,848
Brokerage and leasing	1,152	1,514,745
Provision for doubtful accounts	1,869,794	566,390
Rent	1,445,968	-
Transportation	779,657	-
Total direct expenses	33,987,043	31,314,398
Operating income, net of direct expenses	34,920,832	29,400,838
General and administrative expenses		
Personnel and fringe benefits	9,288,995	8,424,279
Other	6,808,465	7,335,521
Total general and administrative expenses	16,097,460	15,759,800
Operating income before depreciation and and amortization and non-operating income (expense)	18,823,372	13,641,038
DEPRECIATION AND AMORTIZATION AND NON-OPERATING INCOME (EXPENSE)		
Depreciation and amortization	(28,639,555)	(28,791,147)
Interest income	1,229,197	1,654,767
Interest expense	(7,935,097)	(8,278,630)
Forgiveness of debt	7,607,902	-
Financing costs incurred	-	(3,016,565)
Net depreciation and amortization and non-operating income (expense)	(27,737,553)	(38,431,575)
Loss before capital contributions	$ (8,914,181)	$ (24,790,537)

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
SUPPLEMENTARY INFORMATION
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
PERSONNEL AND FRINGE BENEFIT EXPENSES		
Executive and legal	$ 1,811,452	$ 1,872,982
Finance and leasing	1,592,649	1,470,322
Human resources	328,082	210,208
Development and external affairs	1,130,124	1,054,512
Technology and information	459,133	258,122
Building 92 and employment center	992,394	905,031
Payroll taxes and fringe benefits	2,975,161	2,653,102
Total personnel and fringe benefits	9,288,995	8,424,279
Less: payroll and related costs capitalized	-	-
Net personnel and fringe benefit expenses	9,288,995	8,424,279
OTHER EXPENSES		
Legal	630,845	585,318
Audit and tax fees	239,809	168,135
Computer contract and supplies	1,073,595	1,708,185
Mailroom and postage	396,344	27,790
Communication	195,218	192,744
Director's liability insurance	27,343	26,262
Corporate	200,829	206,518
Board	-	1,127
Community employment	211,057	337,970
Advertising and marketing	233,515	230,409
Stationery and office supplies	105,072	156,245
Consultants	1,163,124	1,374,037
Gasoline	112,778	149,735
Vehicle repairs and maintenance	320,682	516,529
Payroll processing	90,120	77,928
Education and training	54,197	171,895
State and local taxes	132,157	273,579
Asset management fee	-	458,403
Management fee	-	146,179
Miscellaneous	1,621,780	526,533
Total other expenses	6,808,465	7,335,521
Total general and administrative expenses	$ 16,097,460	$ 15,759,800

See independent auditors' report.