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)
For the Years Ended June 30, 2022 and 2021

and

Reports in Accordance with
Government Auditing Standards

For the Year Ended June 30, 2022

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BROOKLYN NAVY YARD DEVELOPMENT CORPORATION

A COMPONENT UNIT OF THE CITY OF NEW YORK

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

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Reports in Accordance with *Government Auditing Standards*

FOR THE YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Brooklyn Navy Yard Development Corporation

Report on the Audit of Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Financial Statements

The financial statements of the Corporation as of and for the year ended June 30, 2021 were audited by other auditors whose report dated September 23, 2021 expressed an unmodified opinion on those statements. As discussed in Note 2 to the financial statements, the Corporation has adjusted its June 30, 2021 financial statements to retrospectively apply the change in accounting required by Governmental Accounting Standards Board Statement No. 87, *Leases*. The other auditors reported on the financial statements before the retrospective adjustments.

As part of our audit of the June 30, 2022 financial statements, we also audited the adjustments to the June 30, 2021 financial statements to retrospectively apply the change in accounting as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Corporation's June 30, 2021 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2021 financial statements as a whole.

Adoption of New Accounting Principle

As discussed in Note 2 to the financial statements, in 2022 the Corporation adopted new accounting guidance, Government Accounting Standards Board Statement No*. 87, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 year ended June 30, 2022 (shown on pages 41 and 42) 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The schedules of property management revenue and expenses and general and administrative expenses for the year ended June 30, 2021 (shown on pages 41 and 42), were subjected to the auditing procedures applied in the 2021 audit of the basic financial statements by another auditor, whose report on such information states that it was fairly stated in all material respects in relation to the 2021 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Mayer Hoffman McCann CPAs

New York, NY
September 30, 2022

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, 2022 and 2021. 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

Adoption of New Accounting Standard

During the year ended June 30, 2022, the Corporation adopted the accounting requirements of GASB 87, *Leases*. The adoption of GASB 87 required the Corporation to retrospectively restate amounts presented for the year ended June 30, 2021. The implementation date of the standard considered lease agreements that met the definition of a lease as defined in GASB 87, as of July 1, 2020. Amounts and variance explanations for the year ended June 30, 2021 were revised to reflect the new standard. For more information on the prior period adjustment, see Note 2M to the financial statements

FINANCIAL HIGHLIGHTS (Continued)

Current and Noncurrent Assets

Current assets consisted of the following as of June 30:

	2022	2021	2020	Variance % 2022 vs. 2021	Variance % 2021 vs. 2020
Current assets					
Cash and cash equivalents	$ 19,456,873	$ 28,522,637	$ 20,169,477	-32%	41%
Accounts receivable	4,782,958	6,234,039	5,482,713	-23%	14%
Lease receivable	31,070,875	26,553,354	-	17%	100%
Grants receivable	4,797,005	2,660,191	2,966,336	80%	-10%
Community development notes receivable	-	358,043	-	-100%	100%
Prepaid expenses and other current assets	2,394,451	2,199,848	2,905,008	9%	-24%
Total Current Assets	$ 62,502,162	$ 66,528,112	$ 31,523,534	-6%	111%

As of June 30, 2022, the Corporation reported current assets of $62,502,162 consisting of cash and cash equivalents of $19,456,873, accounts receivable of $4,782,958, grants receivable of $4,797,005, lease receivable from the adoption of GASB 87 of $31,070,875, and prepaid expenses and other current assets of $2,394,451.

As of June 30, 2021, the Corporation had current assets of $62,528,112 consisting of cash and cash equivalents of $28,522,637, accounts receivable of $6,234,039, grants receivable of $2,660,191, lease receivable form the adoption of GASB 87 of $26,553,354, community development notes receivable of $358,043 and prepaid expenses and other current assets of $2,199,848.

The cash and cash equivalents decreased by $9,065,764 or 32%, mainly due to the lease up reserve allocated for new development projects and the post-pandemic recovery expenses. The accounts receivable decrease of $1,451,081 or 23% was due to the collection of deferred rent due to COVID-19.

Grants receivable consist of capital funds due from the City and non-governmental organizations for several projects in the Navy Yard. The increase of $2,136,814 or 80% is due to the pending City capital reimbursements. Prepaid expenses and other current assets increased by $194,603 or 9% mainly due to the increase in insurance premium.

Noncurrent Assets

Noncurrent assets consisted of the following as of June 30:

	2022	2021	2020	Variance % 2022 vs. 2021	Variance % 2021 vs. 2020
Noncurrent assets					
Restricted cash and cash equivalents	$ 13,179,679	$ 28,530,629	$ 30,661,006	-54%	-7%
Tenants' security deposits	10,865,382	9,665,407	8,639,168	12%	12%
Lease receivable	429,630,915	417,132,866	-	3%	100%
Community development notes receivable	24,953,000	40,389,140	40,747,183	-38%	-1%
Leased assets	-	-	10,954,099	0%	-100%
Capital assets, net	741,352,192	750,954,290	582,185,229	-1%	29%
Total Noncurrent Assets	$ 1,219,981,168	$ 1,246,672,332	$ 673,186,685	-2%	85%

FINANCIAL HIGHLIGHTS (Continued)

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

As of June 30, 2021, the Corporation had noncurrent assets of $1,246,672,332 consisting of restricted cash and cash equivalents of $28,530,629, tenants' security deposits of $9,665,407, lease receivables of $417,132,866, community development notes receivable of $40,389,140, lease assets from GASB 87 of $190,573,650 and capital assets of $560,380,640. Capital assets and lease assets from GASB 87 are reported net of accumulated depreciation and amortization.

The Corporation's restricted cash and cash equivalents are comprised of the cash reserved for the construction projects. The decrease in restricted cash equivalents at June 30, 2022 is due to the capital investments made throughout the Navy Yard.

The capital assets are comprised of improvements to the land and buildings, office equipment, and automobiles, trucks and machinery. The capital assets decreased by $9,602,098 or 1% due to the current year depreciation and amortization, offset by the capital investments made throughout the Navy Yard. The right of use asset decreased due to the current year's amortization of the Navy Yard's leased assets. Assets leased by the Yard are amortized over the shorter of their useful life or the lease term.

Community development notes receivable decreased because of the unwinding transaction related to Building 77 where certain investment funds were dissolved pursuant to their operating agreement and the loans made and received by the Corporation were forgiven and cancelled. See Note 9 to the financial statements for more information.

Current and Noncurrent Liabilities

Current liabilities consisted of the following as of June 30:

	2022	2021	2020	Variance % 2022 vs. 2021	Variance % 2021 vs. 2020
Current liabilities					
Accounts payable and accrued expenses	$ 12,019,690	$ 9,603,416	$ 9,792,636	25%	-2%
Unearned revenues	11,724,492	26,626,589	24,831,988	-56%	7%
Development loans payable	3,064,873	32,185,996	62,631,872	-90%	-49%
Community development notes payable	-	179,007	-	-100%	100%
Construction loan payable	1,491,060	1,455,155	1,420,114	2%	2%
Total Current Liabilities	$ 28,300,115	$ 70,050,163	$ 98,676,610	-60%	-29%

Current liabilities of $28,300,115 were recorded as of June 30, 2022, a decrease of $41.8 million or 60%. This resulted from a decrease in unearned revenues because the Corporation incurred eligible expenditures to recognize revenue and a decrease in development loans because of the unwinding transaction explained previously. The decrease was partially offset by an increase in accounts payable and accrued expenses as a result of the timing of payments made near year-end.

FINANCIAL HIGHLIGHTS (Continued)

Noncurrent liabilities consisted of the following as of June 30:

	2022	2021	2020	Variance % 2022 vs. 2021	Variance % 2021 vs. 2020
Noncurrent liabilities					
Tenants' security deposits	$ 10,880,756	$ 9,356,856	$ 8,637,716	16%	8%
Development loans payable	162,171,140	134,666,767	107,868,064	20%	25%
Community development notes payable	35,330,000	57,850,993	58,030,000	-39%	0%
Construction loan payable	1,618,050	3,109,110	4,564,264	-48%	-32%
Lease liability	197,730,484	196,038,281	-	1%	100%
Other long-term liabilities	720,917	720,917	1,842,999	0%	-61%
Total Noncurrent Liabilities	$ 408,451,347	$ 401,742,924	$ 180,943,043	2%	122%
Total Liabilities	$ 436,751,462	$ 471,793,087	$ 279,619,653	-7%	69%

Noncurrent liabilities of $408,451,347 were recorded as of June 30, 2022, an increase of $6.7 million or 2%. The Corporation reported increases in tenant security deposits because of increased lease-ups and an increase in development loans payable because of extended maturities, which were offset by the amortization of the current portion of the construction loan payable.

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:

	2022	2021	2020	Variance % 2022 vs. 2021	Variance % 2021 vs. 2020
Operating revenues	$ 103,675,312	$ 84,273,825	$ 68,907,875	23%	22%
Operating expenses	104,842,600	86,440,566	78,724,058	21%	10%
Operating loss	(1,167,288)	(2,166,741)	(9,816,183)	-46%	-78%
Non-operating revenue	7,531,366	4,402,015	8,837,099	71%	-50%
Non-operating expense	18,595,611	19,167,966	7,935,097	-3%	142%
Non-operating revenue (expense)	(11,064,245)	(14,765,951)	902,002	-25%	-1737%
Loss before capital contributions	(12,231,533)	(16,932,692)	(8,914,181)	-28%	90%
Capital contributions	19,382,213	16,372,468	27,253,289	18%	-40%
Change in net position	7,150,680	(560,224)	18,339,108	-1376%	-103%
Net position, beginning of year	424,530,342	425,090,566	406,751,458	0%	5%
Net position, end of year	$ 431,681,022	$ 424,530,342	$ 425,090,566	2%	0%

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 2022. The Corporation realized an increase in operating revenues of $19.4 million or 23% mainly as a result of $5.1 million higher base rent payments due to lease renewals and tenant turnover, along with new rentable space being leased in Building 212 and Building 303, $10 million pass-through grant received from ESD, and $3 million accounting adjustments relating to the new GASB lease standard. GASB 87 requires recognition of interest income related to the lease receivable which will result in higher interest revenue earlier in the life of the lease when the principal balance is greatest.

Operating Expenses

The total operating expenses increased by $18.4 million or 21% due mainly to increases in utilities, property insurance, provision for doubtful accounts, operating & maintenance expenses, and a $10 million pass-through grant expense.

Net Position

Net position as of June 30, 2022 was $431.6 million, an increase of $7.1 million from the prior year. This increase in total net position is a direct result of the increase in capital contributions and the forgiveness of debt.

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 1120.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	(As Restated) 2021
ASSETS		
Current assets		
Cash and cash equivalents (Notes 2E and 3)	$ 19,456,873	$ 28,522,637
Accounts receivable, net of allowance for doubtful accounts of $6,504,099 in 2022 and $4,359,326 in 2021 (Note 2F)	4,782,958	6,234,039
Lease receivable (Notes 2D and 12)	31,070,875	26,553,354
Grants receivable (Notes 1 and 2D)	4,797,005	2,660,191
Community development notes receivable (Notes 2I and 4)	-	358,043
Prepaid expenses and other current assets (Notes 2G and 4)	2,394,451	2,199,848
Total current assets	62,502,162	66,528,112
Noncurrent assets		
Restricted cash and cash equivalents (Note 3)	13,179,679	28,530,629
Tenants' security deposits - restricted	10,865,382	9,665,407
Lease receivable (Note 12)	429,630,915	417,132,866
Community development notes receivable (Notes 2I and 4)	24,953,000	40,389,140
Capital assets (Note 5):		
Nondepreciable	16,110,639	6,212,758
Depreciable, net	539,432,244	554,167,882
Lease assets, net	185,809,309	190,573,650
Total noncurrent assets	1,219,981,168	1,246,672,332
TOTAL ASSETS	$ 1,282,483,330	$ 1,313,200,444
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	$ 12,019,690	$ 9,603,416
Unearned revenues (Notes 2K and 6)	11,724,492	26,626,589
Development loans payable (Note 8)	3,064,873	32,185,996
Community development notes payable (Note 9)	-	179,007
Construction loan payable (Note 10)	1,491,060	1,455,155
Total current liabilities	28,300,115	70,050,163
Noncurrent liabilities		
Tenants' security deposits - restricted	10,880,756	9,356,856
Development loans payable (Note 8)	162,171,140	134,666,767
Community development notes payable (Note 9)	35,330,000	57,850,993
Construction loan payable (Note 10)	1,618,050	3,109,110
Lease liability (Note 13)	197,730,484	196,038,281
Other long-term liabilities	720,917	720,917
Total noncurrent liabilities (Note 7)	408,451,347	401,742,924
Total liabilities	436,751,462	471,793,087
Deferred inflow of resources (Notes 2D and 2M)		
Leases (Notes 2D and 12)	414,050,846	416,877,015
Net position (Note 2L)		
Net investment in capital assets	539,168,129	523,141,424
Restricted:		
Capital projects	9,271,284	25,732,318
Debt service and other reserves	816,782	1,111,331
Unrestricted	(117,575,173)	(125,454,731)
Total net position	431,681,022	424,530,342
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 1,282,483,330	$ 1,313,200,444

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, 2022 AND 2021

	2022	(As Restated) 2021
OPERATING REVENUES		
Revenue from leases (Notes 2D and 12)		
Rents	$ 56,253,239	$ 51,102,180
Interest - leases	23,667,949	20,661,564
Insurance	1,549,810	1,187,907
Utilities	8,892,341	7,884,680
Grants (Note 2D)	10,062,522	682,008
Other income	3,249,451	2,755,486
Total operating revenues (Note 2C)	103,675,312	84,273,825
OPERATING EXPENSES		
Property management		
Personnel and fringe benefits	14,523,189	14,569,201
Utilities	12,598,338	9,085,464
Property insurance	3,407,477	3,048,701
Brokerage and leasing	115,268	1,171
Provision for doubtful accounts	3,780,968	3,121,592
Rent (Note 14)	-	61,000
Transportation	1,590,074	1,291,975
Events, programs and exhibits	136,968	63,904
Operating and maintenance	7,054,330	5,431,006
Depreciation and amortization	33,965,765	33,936,912
Total property management	77,172,377	70,610,926
General and administrative		
Personnel and fringe benefits	10,183,094	9,434,934
Other	17,487,129	6,394,706
Total general and administrative	27,670,223	15,829,640
Total operating expenses (Note 2C)	104,842,600	86,440,566
Operating loss	(1,167,288)	(2,166,741)
NONOPERATING INCOME (EXPENSE)		
Interest expense (Notes 8, 9 and 10)	(18,595,611)	(17,681,463)
Forgiveness of debt (Notes 8 and 9)	6,884,539	3,946,240
Financing and leasing costs incurred	-	(1,486,503)
Interest income (Notes 2I and 4)	646,827	455,775
Loss before capital contributions	(12,231,533)	(16,932,692)
CAPITAL CONTRIBUTIONS		
Funding from The City of New York (Note 11)	19,588,003	9,110,377
Capital grants (Note 11)	460,186	-
Investor (distributions) contributions (Note 11)	(665,976)	7,262,091
Change in net position	7,150,680	(560,224)
Net position, beginning of year, restated	424,530,342	425,090,566
Net position, end of year	$ 431,681,022	$ 424,530,342

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, 2022 AND 2021

	2022	(As Restated) 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	$ 79,724,353	$ 62,922,802
Grants received	10,062,522	682,008
Other receipts	4,753,189	3,755,486
Payments to vendors and suppliers	(50,411,584)	(32,357,851)
Payments to employees	(17,028,082)	(16,097,206)
Net Cash Provided by Operating Activities	27,100,398	18,905,239
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	14,345,273	18,487,228
Purchases of capital assets	(21,929,507)	(11,379,009)
Financing and leasing costs incurred	-	(1,486,503)
Proceeds from notes payable and loans payable	1,675,529	59,094,907
Repayments of notes and loans payable	(29,351,826)	(61,338,036)
Change in lease liability	1,692,203	1,164,645
Interest expense	(18,595,611)	(17,681,463)
Net Cash Used in Capital and Related Financing Activities	(52,163,939)	(13,138,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	646,827	455,775
Net Cash Provided by Investing Activities	646,827	455,775
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(24,416,714)	6,222,783
Cash and cash equivalents, beginning of year	57,053,266	50,830,483
Cash and cash equivalents, end of year	$ 32,636,552	$ 57,053,266
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (1,167,288)	$ (2,166,741)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	33,965,765	33,936,912
Changes in operating assets and liabilities:		
Accounts receivable	1,451,081	(751,326)
Lease receivable	(17,015,570)	3,540,387
Prepaid expenses and other current assets	(194,603)	705,160
Deferred inflows of resources - rental income	(2,826,169)	(17,591,896)
Accounts payable and accrued expenses	(194,437)	3,343,437
Change in tenant security deposits payable	323,924	(307,099)
Unearned revenue	12,757,695	(1,803,595)
Net Cash Provided by Operating Activities	$ 27,100,398	$ 18,905,239
RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:		
Unrestricted cash and cash equivalents	$ 19,456,873	$ 28,522,637
Restricted cash and cash equivalents	13,179,679	28,530,629
	$ 32,636,552	$ 57,053,266
Supplemental Disclosure of Cash Flow Information:		
Noncash capital and related financing transactions:		
Accrued capital asset expenditures	$ 2,593,965	$ 1,686,980
Forgiveness of debt	$ 6,884,539	$ 3,946,240

See accompanying notes to the financial statements.

NOTE 1 – BACKGROUND AND ORGANIZATION

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

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

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

Lease and Management Contract with The City

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

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

The City and the Corporation also entered into annual management contracts whereby, among other provisions, the City funded the improvement, replacement and rehabilitation of the infrastructure in the Navy Yard. The Corporation advanced the funds for capital expenditures, resulting in a grant receivable from the City, which amounted to $3,847,005 and $923,656 at June 30, 2022 and 2021, respectively. The Corporation continues to operate under the terms of the management contract for fiscal year 2018 which provides that, if the Corporation maintains a balance of $5,000,000 in its reserve funds (the "City Reserve Fund"), then the annual base rent under the lease for the fiscal year is zero. The City subsequently approved the reduction in the City Reserve Fund to $500,000 and allowed the annual base rent to remain at zero. At both June 30, 2022 and 2021, the reserves have a balance of $500,000.

Financial Reporting Entity

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

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

NOTE 1 – BACKGROUND AND ORGANIZATION (Continued)

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

Building 128 Project ("Building 128")

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

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

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

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

Building 77 Project ("Building 77")

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

Building 127 Project ("Building 127")

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

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

NOTE 1 – BACKGROUND AND ORGANIZATION (Continued)

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

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

Single Member LLCs

- On November 3, 2016, the Corporation created the following limited liability companies under the laws of the State for the purposes of subleasing to those companies certain Corporation leases with commercial tenants: BNY 10 LLC ("BNY10"), BNY 121/Gatehouse LLC ("BNY21/Gatehouse"), BNY 25/268 LLC ("BNY 25/268"), BNY 500 LLC ("BNY 500") and BNY Waterfront LLC ("BNY Waterfront"). On December 22, 2016, BNY 10, BNY 121/Gatehouse, BNY 25/268, and BNY 500 entered into a $30,750,000 loan agreement with 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. On September 4, 2020, BNY 72, LLC, BNY S 1/6, LLC, BNY S 25/30 LLC, each as a borrower, entered into a $58,000,000 loan agreement with The Variable Annuity Life Insurance Company, as lender. The respective interests of BNY 72, LLC, BNY S 1/6, LLC, and BNY S 25/30 LLC in those subleases collateralize, among other security instruments, the loan agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Measurement Focus and Basis of Accounting*

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

B. *Use of Estimates*

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Revenue and Expense Classification*

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

D. *Revenue Recognition*

Rent

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

Grants and Contributions

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

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

E. *Cash and Cash Equivalents*

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

F. *Accounts Receivable*

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

G. *Prepaid Expenses*

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Fair Value Measurements*

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

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

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

I. *Community Development Notes Receivable*

Notes receivable are carried at their uncollected principal balance. Interest income on the notes is accrued at the contractual rate on the principal amount outstanding. The Corporation routinely evaluates the creditworthiness of its borrowers and establishes reserves where the Corporation believes collectability is no longer reasonably assumed. Notes receivable are written down once management determines that the specific borrower does not have the ability to repay the note in full. Allowances for credit losses and doubtful accounts are maintained in amounts considered to be appropriate in relation to the notes receivable outstanding based on collection experience, economic conditions and credit risk quality. Delinquency is the primary indicator of credit quality. As of June 30, 2022 and 2021, no allowance for loan losses was recorded for the Corporation's notes receivable.

J. *Capital Assets and Lease Assets*

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

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

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

K. *Unearned Revenues*

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Net Position*

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

M. *New Accounting Pronouncements and Prior Period Adjustments*

During the year ended June 30, 2022, the Corporation adopted the following GASB statements:

- The Corporation implemented GASB Statement No. 87, *Leases* ("GASB 87"). GASB 87 enhances the relevancy and consistency of information about the Corporation's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. 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. These changes were incorporated into the Corporation's 2022 financial statements retrospectively and had no effect on the beginning net position as reported for the year ended June 30, 2021. The adoption of GASB 87 required the recognition of the following components as of July 1, 2020 (the adoption date):

Lease receivable	$ 447,226,606
Leased asset	61,708,742
Lease liability	(61,708,742)
Deferred inflow of resources	(447,226,606)
Net effect on July 1, 2020 Net Position	$ -

GASB 87 requires the Corporation's financial statements to be adjusted retrospectively for the earliest period presented. Certain balances reported for the year ended June 30, 2021, have been restated to conform to the requirements of GASB 87 and the following line items in the Statements of Revenues, Expenses and Changes in Net Position have been restated:

	As Previously Reported	As Restated	Adjustment
Statement of Revenues, Expenses and Changes in Net Position:			
Rents	$ 56,712,235	$ 51,102,180	$ (5,610,055)
Other income	$ 3,755,486	$ 2,755,486	$ (1,000,000)
Rent	$ 7,707,042	$ 61,000	$ (7,646,042)
Depreciation and Amortization	$ 29,636,927	$ 33,936,912	$ 4,299,985
Interest expense	$ 8,870,776	$ 17,681,463	$ 8,810,687
Interest - leases	$ -	$ 20,661,564	$ 20,661,564
Change in Net Position	$ (9,147,103)	$ (560,224)	$ 8,586,879
Net position	$ 415,943,463	$ 424,530,342	$ 8,586,879

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *New Accounting Pronouncements and Prior Period Adjustments (Continued)*

	As Previously Reported	As Restated	Adjustment
Statement of Net Position:			
Lease receivable	$ -	$ 443,686,220	$ 443,686,220
Deferred rent asset	$ 12,757,695	$ -	$ (12,757,695)
Lease assets, net	$ -	$ 190,573,650	$ 190,573,650
Lease liability	$ -	$ 196,038,281	$ 196,038,281
Deferred inflow of resources	$ -	$ 416,877,015	$ 416,877,015
Net investment in capital assets	$ 332,567,774	$ 523,141,424	$ 190,573,650
Unrestricted net position	$ 56,532,040	$ (117,575,173)	$ (174,107,213)
Statement of Cash Flows:			
Payments to vendors and supplies	$ (40,003,893)	$ (32,357,851)	$ 7,646,042
Change in lease liability	$ -	$ 1,164,645	$ 1,164,645
Interest expense	$ (8,870,776)	$ (17,681,463)	$ (8,810,687)
Depreciation and amortization	$ 29,636,927	$ 33,936,912	$ 4,299,985
Lease receivable	$ -	$ 3,540,387	$ 3,540,387
Deferred inflows of resources	$ -	$ (17,591,896)	$ (17,591,896)

- GASB Statement No. 91, *Conduit Debt Obligations*, (“GASB 91”) is effective for reporting periods beginning after December 15, 2021, as amended. GASB 91 provides a single method of reporting conduit debt obligations by issuers and aims to eliminate diversity in practice. GASB 91 clarifies the existing definition of a conduit debt obligation, establishing that it is not a liability of the issuer; and establishes accounting and financial reporting standards for additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, as well as improves note disclosures. GASB 91 did not have an impact on the Corporation’s financial statements.

- GASB Statement No. 92, *Omnibus*, (“GASB 92”) is effective for fiscal years beginning after June 15, 2021, as amended. This statement addresses comparability and consistency in accounting and financial reporting related to a variety of GASB Statements including: *Leases, Other Postemployment Benefit Plans, Pensions, Fiduciary Activities, Asset Retirement Obligations, Public Entity Risk Pools, Fair Value Measurements, and Derivative Instruments*. The adoption of GASB 92 did not have a significant impact on the Corporation’s financial statements.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, (“GASB 93”) is effective for fiscal years beginning after June 15, 2021, as amended. The effective date of this Statement was further amended by GASB 99. The objective of this statement is to address those and other accounting and financial reporting implications from the replacement of the interbank offered rate (“IBOR”). The adoption of GASB 93 had no impact on the Corporation’s financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 3 – CASH AND CASH EQUIVALENTS

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

	2022	2021
Current Assets		
Unrestricted Cash and Cash Equivalents		
Cash and Cash Equivalents	$ 16,909,483	$ 28,522,637
Cash Equivalents (U.S. Government Money Market Fund)	2,547,390	-
	19,456,873	28,522,637
Noncurrent Assets		
Restricted Cash and Cash Equivalents		
Cash	917,961	1,367,646
Cash Equivalents (U.S. Government Money Market Fund)	12,261,718	27,162,983
	13,179,679	28,530,629
Total Cash and Cash Equivalents		
Cash	17,827,444	29,890,283
Cash Equivalents (U.S. Government Money Market Fund)	14,809,108	27,162,983
	$ 32,636,552	$ 57,053,266

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 $14,809,108 and $27,162,983 as of June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022, the bank deposit balances were held with six banks and amounted to $19,555,342, of which $2,637,755 was covered by federal depository insurance and $16,251,153 was collateralized. The remaining balance of $666,434 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:

		2022	2021
BNYDC			
City capital funds	**A**	$ 11,724,492	$ 26,626,589
City reserve		537,227	536,394
Other		77,956	67,456
		12,339,675	27,230,439
Building 77			
Interest reserves	**B**	-	15,199
Fee and expense reserves	**B**	-	50,000
Operating and other reserves		-	300
		-	65,499
Building 127			
Construction reserve	**C**	101,179	256,315
Fee and expense reserves	**B**	647,767	886,217
		748,946	1,142,532
Building 128			
Lease up reserve	**D**	79,913	81,013
Fee and expense reserves	**B**	88	88
Operating reserve		11,057	11,058
		91,058	92,159
		$ 13,179,679	$ 28,530,629

A. The City capital funds as of June 30, 2022 and 2021 primarily consist of capital funds advanced by the City for various reconstruction projects amounting to $11.3 million and $5.8 million and for the multiple other infrastructure projects throughout the Navy Yard.

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

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

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

NOTE 4 – COMMUNITY DEVELOPMENT NOTES RECEIVABLE

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

Borrower	2022	2021
BNY Building 77 NMTC Investment Fund LLC ("77 NMTC")	$ -	$ 10,337,861
BNY Building 77 Eastern Tower NMTC Investment Fund LLC ("77 Eastern")	-	5,456,322
Building 127 NMTC Investment Fund LLC ("127 NMTC")	24,953,000	24,953,000
	$ 24,953,000	$ 40,747,183

77 NMTC

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

Interest income on the loan, which is included in interest income in the accompanying statements of revenues, expenses and changes in net position, amounted to $92,097 and $133,151 for the years ended June 30, 2022 and 2021, respectively. Accrued interest receivable at June 30, 2022 and 2021, which is included in prepaid expenses and other current assets in the accompanying statements of net position, amounted to $0 and $33,288, respectively.

In March 2022, the Corporation assumed the debt of Building 77 QALICB payable to the community development entities, equal to the amount of its leverage loan of $10,377,861. See Note 9.

77 Eastern

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

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

NOTE 4 – COMMUNITY DEVELOPMENT NOTES RECEIVABLE (Continued)

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 $37,740 and $54,563 for the years ended June 30, 2022 and 2021, respectively. Accrued interest receivable at June 30, 2022 and 2021, which is included in prepaid expenses and other current assets in the accompanying statements of net position, amounted to $0 and $13,641, respectively.

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

127 NMTC

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

Interest income on the loan, which is included in interest income in the accompanying statements of revenues, expenses and changes in net position, amounted to $249,530 during each of the years ended June 30, 2022 and 2021.

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
2023	$ -	$ 249,530	$ 249,530
2024	-	249,530	249,530
2025	-	249,530	249,530
2026	15,801,756	132,956	15,934,712
2027	521,289	89,562	610,851
2028-2032	2,685,989	368,263	3,054,252
2033-2037	2,823,527	230,725	3,054,252
2038-2042	2,968,107	86,145	3,054,252
2043-2047	152,332	381	152,713
	$ 24,953,000	$ 1,656,622	$ 26,609,622

NOTE 5 – CAPITAL ASSETS

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

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

NOTE 5 – CAPITAL ASSETS (Continued)

The following is a summary of capital asset activity for the year ended June 30, 2021:

	Balance 6/30/20	Additions	Deductions/ Reclassifications	Balance 6/30/21
Nondepreciable:				
Construction in progress	$ 79,167,037	$ 7,657,338	$ (80,611,617)	$ 6,212,758
Total nondepreciable capital assets	79,167,037	7,657,338	(80,611,617)	6,212,758
Depreciable:				
Leasehold improvements, including buildings and water and sewer systems	754,625,506	80,611,617	-	835,237,123
Machinery and vehicles	3,783,126	175,000	-	3,958,126
Office equipment	2,390,552	-	-	2,390,552
Total depreciable capital assets	760,799,184	80,786,617	-	841,585,801
Less: accumulated depreciation: and amortization:				
Leasehold improvements, including buildings and water and sewer systems	252,515,372	28,972,098	-	281,487,470
Machinery and vehicles	3,203,882	452,171	-	3,656,053
Office equipment	2,061,738	212,658	-	2,274,396
Total accumulated depreciation and amortization	257,780,992	$ 29,636,927	$ -	287,417,919
Lease assets being amortized, net	61,708,742	133,164,894	4,299,986	190,573,650
Total net depreciable capital assets	564,726,934			744,741,532
Total net capital assets	$ 643,893,971			$ 750,954,290

NOTE 6 – UNEARNED REVENUES

Unearned revenues consisted of the following at June 30:

	2022	2021
Currently with the City for the rehabilitation of capital assets	$ 11,713,380	$ 26,615,477
Cogeneration Partners	11,112	11,112
Total	$ 11,724,492	$ 26,626,589

NOTE 7 – LONG-TERM LIABILITIES

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

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

The following summarizes the changes in the Corporation's long-term liabilities for the year ended June 30, 2021:

	Balance 7/1/2020	Increases	Reductions	Balance 6/30/2021	Due Within One Year	Due After One Year
Tenant's security deposits	$ 8,637,716	$ 719,140	$ -	$ 9,356,856	$ -	$ 9,356,856
Unearned revenues	24,831,988	11,197,101	9,402,500	26,626,589	26,626,589	-
Development loans payable	170,499,936	59,094,907	62,742,080	166,852,763	32,185,996	134,666,767
Community development notes payable	58,030,000	-	-	58,030,000	179,007	57,850,993
Construction loan payable	5,984,378	-	1,420,113	4,564,265	1,455,155	3,109,110
Lease liability	61,708,742	134,329,539	-	196,038,281	-	196,038,281
Other long-term liabilities	1,842,999	-	1,122,082	720,917	-	720,917
Total long-term liabilities	$ 331,535,759	$ 205,340,687	$ 74,686,775	$ 462,189,671	$ 60,446,747	$ 401,742,924

NOTE 8 – DEVELOPMENT LOANS PAYABLE

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

Lender	2022	2021
The Variable Annuity Life Insurance Company ("VALIC $58,000,000 Loan")	$ 58,000,000	$ 58,000,000
NYCRC Brooklyn Navy Yard Development Fund, IV, LLC ("NYCRC $30,000,000 Loan")	30,000,000	30,000,000
Sterling National Bank ("Sterling Loan")	28,914,309	29,469,112
Symetra Life Insurance Company ("Symetra Loan")	27,353,779	28,525,935
Building 127:		
GSUIG Real Estate Member LLC	17,844,500	17,734,291
GSUIG Real Estate Member LLC Line of Credit	3,123,425	3,123,425
	$ 165,236,013	$ 166,852,763

VALIC $58,000,000 Loan

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

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

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

Payments on the loan will be as follows:

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

NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

VALIC $58,000,000 Loan (Continued)

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

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

Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $2,233,601 and $1,842,225, for years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, accrued interest amounted to $186,083.

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

NYCRC $30,000,000 Loan

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

Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $1,277,500 during the years ended June 30, 2022 and 2021. As of June 30, 2022 and 2021, there was no accrued interest.

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

NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

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 $1,317,683 and $1,342,103 during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, 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.

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 $1,161,698 and $1,209,266 during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, there was no accrued interest.

NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

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

GSUIG Real Estate Member LLC

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

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. During fiscal year 2021, 127 MT paid off the bridge loan and recorded a receivable from 127 LL. 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 $144,158 during the year ended June 30, 2021. As of June 30, 2021, there was no accrued interest.

GSUIG Real Estate Member LLC (Line of Credit)

On September 21, 2018, the Corporation entered into a line of credit note with GSUIG Real Estate Member LLC. The loan agreement provides for up to $5,000,000 and is secured by the assets of the Corporation. The loan bears an interest rate of 6.50% per annum. In addition, the note bears interest of 0.75% per annum on the undrawn portion of the loan. The terms of the note provide for quarterly payments of interest only commencing on September 30, 2018. Beginning March 21, 2021 and on every June 30, September 30, December 31, and March 31 thereafter, quarterly payments of principal and interest will be due through maturity on 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 $217,402 and $201,280 during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, there was no accrued interest.

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 shall be paid by the Corporation in a single installment on the maturity date of February 28, 2021. During fiscal year 2021, the line of credit was paid off. Interest incurred on the loan, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $209,318 during the year ended June 30, 2021.

NOTE 8 – DEVELOPMENT LOANS PAYABLE (Continued)

The Corporation is in the process of extending the terms of the line of credit, which will be effective in September 2022, subject to the fulfillment of conditions specified in the amendment to the revolving credit agreement. The line of credit will be secured by an assignment of the rents from Building 292.

Maturities of Development Loans Payable

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

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 3,064,873	$ 7,258,866	$ 10,323,739
2024	3,512,955	7,111,382	10,624,337
2025	33,677,478	6,946,859	40,624,337
2026	22,634,514	4,568,901	27,203,415
2027	3,347,383	4,118,546	7,465,929
2028-2032	18,958,755	18,370,895	37,329,650
2033-2037	23,268,916	14,060,732	37,329,648
2038-2042	18,669,422	9,519,301	28,188,723
2043-2047	19,910,246	5,750,135	25,660,381
2048-2052	17,465,318	1,725,779	19,191,097
Thereafter	726,153	4,395	730,548
	$ 165,236,013	$ 79,435,791	$ 244,671,804

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

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE

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

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

BNYDC Entity/CDE Lender	2022	2021
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
GSNMF-17 Loan B	-	1,551,070
DVCI CDE XXIV, LLC ("DVCI XXIV")		
DVCI XXIV Loan A	-	6,888,931
DVCI XXIV Loan B	-	2,811,069
	-	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
GSNMF-21 Loan B	-	2,558,400
	-	8,000,000
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
	$ 35,330,000	$ 58,030,000

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

Building 77 2014 Notes

On December 22, 2014, Building 77 QALICB entered into a loan agreement with GSNMF-17 and DVCI XXIV to finance improvements to a building in the Navy Yard ("Building 77"). The loan agreement is collateralized by the building of the Corporation and consists of four promissory notes as listed above. Each of the promissory notes bear interest at 1% per annum. From December 22, 2014, interest only on the principal balance accrued during the respective preceding calendar quarters shall be payable on January 5, April 1, July 1 and October 1. Commencing April 1, 2022 and continuing every July 1, October 1, January 5 and April 1 thereafter up 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 $101,675 and $147,000 the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, there was no accrued interest.

In accordance with the Corporation's loan agreement, DVCI XXIV earns an asset management fee in the amount of $50,000 annually, prorated for partial years, commencing on November 15, 2012 and continuing for the term of the DVCI XXIV loan. For the years ended June 30, 2022 and 2021, DVCI XXIV asset management fees of $50,000 and $48,750 and, respectively, have been incurred and paid.

In accordance with the Corporation's loan agreement, an audit and tax expense reimbursement to DVCI XXIV equal to $10,570 is due annually from the DVCI XXIV Fee Reserve, commencing on November 15, 2012 and continuing for the term of the DVCI XXIV loan. For each of the years ended June 30, 2022 and 2021, DVCI XXIV asset management fees of $10,750, have been incurred and paid.

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

Building 77 2016 Notes

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

Interest incurred on the Building 77 2016 Notes, which is included in interest expense in the accompanying statements of revenues, expenses and changes in net position, amounted to $47,310 and $68,400 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, there was no accrued interest.

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

Building 77 2016 Notes (Continued)

In accordance with the Corporation's loan agreement, BRP CDE, LLC ("Allocatee") earns a management fee in the amount of $250,000 which is payable in installments commencing on May 26, 2016. The final installment was paid on May 26, 2019. There were no Allocatee management fees incurred for the years ended June 30, 2022 and 2021.

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

127 2018 Notes

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

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

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

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

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

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

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

127 2018 Notes (Continued)

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

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

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

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

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

Interest incurred on the 127 2018 Notes amounted to $377,058 and $282,794 for the years ended June 30, 2022 and 2021, 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
2023	$ -	$ 377,054	$ 377,054
2024	-	377,054	377,054
2025	-	377,054	377,054
2026	15,883,504	252,425	16,135,929
2027	631,617	205,018	836,635
2028 – 2032	3,261,071	922,112	4,183,183
2033 – 2037	3,439,564	743,613	4,183,177
2038 – 2042	3,627,834	555,343	4,183,177
2043 – 2047	3,826,410	356,769	4,183,179
2048 – 2052	4,035,853	147,326	4,183,179
2053	624,147	3,273	627,420
	$ 35,330,000	$ 4,317,041	$ 39,647,041

NOTE 9 – COMMUNITY DEVELOPMENT NOTES PAYABLE (Continued)

127 2018 Notes (Continued)

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

NOTE 10 – CONSTRUCTION LOAN PAYABLE

On April 2, 2015, GMC Landlord entered into a loan agreement with New Lab, LLC in the amount of $11,884,883. The loan accrues interest at 2.44% from the date of the initial advance through maturity, on the tenth anniversary of the first monthly payment. Monthly payments 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 $95,166 and $130,207 during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, there was no accrued interest.

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
2023	$ 1,491,060	$ 59,261	$ 1,550,321
2024	1,527,852	22,469	1,550,321
2025	90,198	183	90,381
	$ 3,109,110	$ 81,913	$ 3,191,023

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, 2022 and 2021, the Corporation recognized $19,588,003 and $9,110,377, respectively, as non-operating revenue for rehabilitation work completed with City capital funds.

Other Capital Grants

During the year ended June 30, 2022, the Corporation received capital funds of $460,186 to facilitate improvements to the Navy Yard.

Other Capital Contributions (Distributions)

During fiscal year 2022, the Corporation distributed approximately $666,000 of capital contributions for Building 127 and Building 77. During fiscal year 2021, the Corporation received approximately $7.26 million of capital contributions for 127 MT.

NOTE 12 – LEASE RECEIVABLE

The Corporation is reporting lease receivables of $460,701,790 and $443,686,220 at June 30, 2022 and 2021. Lease revenue of $56,253,239 and $51,102,180 and interest revenue of $23,667,949 and $20,661,564 related to lease payment received for the fiscal years ended June 30, 2022 and 2021. All the Corporation's leases relate to the various properties under management as described in Note 1. The lease terms vary and are specific to each of the individual tenants.

Total rentals related to variable payments, which arise primarily from a percentage of the lessees' gross revenues and parking revenue rents, amounted to $2,169,605 and $1,989,290 for the years ended June 30, 2022 and 2021, respectively.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 31,070,875	$ 23,494,332	$ 54,565,207
2024	29,163,487	21,905,695	51,069,182
2025	26,029,501	20,443,814	46,473,315
2026	24,941,373	19,116,132	44,057,505
2027	22,240,885	17,861,588	40,102,473
2028-2032	84,229,424	74,625,409	158,854,833
2033-2037	62,630,667	56,206,110	118,836,777
2038-2042	51,225,831	40,110,525	91,336,356
2043-2047	39,188,821	28,912,618	68,101,439
2048-2052	26,992,203	20,638,088	47,630,291
2053-2057	28,079,172	13,048,295	41,127,467
2058-2062	32,611,704	5,223,716	37,835,420
2063	2,297,847	155,060	2,452,907
	$ 460,701,790	$ 341,741,382	$ 802,443,172

NOTE 13 – LEASE LIABILITY

The Corporation is obligated under two sublease agreements for the rental of premises in the Navy Yard. Both subleases expire on June 29, 2061. The Corporation determined the net present value of the lease based on the comparable rates of similar leases using 5.25% and reported a lease liability of $197,730,484 and $196,038,281 at June 30, 2022 and 2021, respectively. Total outflows related to the lease agreements were $8,598,156 and $7,707,042 for the years ended June 30, 2022 and 2021, respectively.

NOTE 13 – LEASE LIABILITY (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ (1,783,214)	10,423,353	$ 8,640,139
2024	(1,879,118)	10,519,258	8,640,140
2025	(1,202,336)	10,601,780	9,399,444
2026	(1,267,000)	10,666,444	9,399,444
2027	(1,335,142)	10,734,586	9,399,444
2028-2032	(820,697)	54,121,826	53,301,129
2033-2037	5,926,639	53,571,537	59,498,176
2038-2042	15,209,073	50,845,520	66,054,593
2043-2047	27,276,041	45,384,304	72,660,345
2048-2052	39,020,220	36,568,751	75,588,971
2053-2057	55,765,405	24,490,334	80,255,739
2058-2061	62,820,613	7,138,061	69,958,674
	$ 197,730,484	$ 325,065,754	$ 522,796,238

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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

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

NOTE 15 – PENSION PLANS

The Corporation's non-union administrative employees are eligible to participate in the Brooklyn Navy Yard Corp. Pension Plan, a defined contribution pension plan administered by Voya Financial. Participation begins after the completion of six (6) months' continuous employment with the Corporation. Voluntary employee contributions to this plan are not permitted. Participants are fully vested in employer contributions to this plan after three (3) years of service. Plan forfeitures are used to either reduce administrative expenses of the plan or employer contributions to the plan. For the years ended June 30, 2022 and 2021, contributions of 14% of eligible compensation were made to this plan. Pension expense for the years ended June 30, 2022 and 2021 amounted to $1,237,713 and $1,179,824, respectively.

NOTE 15 – PENSION PLANS (Continued)

The Corporation has also established the Brooklyn Navy Yard Security Guards Pension Plan, a defined contribution profit-sharing plan administered by Voya Financial. Only employees that are covered by the Corporation's collective bargaining agreement with its security guards are eligible to participate in this plan. Participation begins after the completion of six (6) months' continuous employment with the Corporation. Voluntary employee contributions to this plan are not permitted. Participants are fully vested in employer contributions to this plan after three (3) years of service. Plan forfeitures are used to either reduce administrative expenses of the plan or employer contributions to the plan. For each of the years ended June 30, 2022 and 2021, discretionary profit-sharing contributions of $1.75 per hour (to a maximum of 80 hours for both years) were made to this plan. For the year ended June 30, 2020, a $1 per hour (to a maximum of 80 hours) per pay period was made to this plan. As of January 1, 2020, the $1 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, 2022 and 2021 amounted to $200,809 and $233,705, respectively.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPERTY MANAGEMENT REVENUE AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES	$ 103,675,312	$ 84,273,825
EXPENSES		
Direct expenses		
Utilities		
Electric	8,948,390	6,196,391
Steam	1,676,292	1,052,547
Water	1,599,801	1,543,009
Natural gas	373,855	293,517
Payroll and related fringe benefits		
Protective services and transportation	3,635,138	3,654,831
Maintenance, utilities and engineering	6,299,705	6,140,418
Fringe benefits	4,588,346	4,773,952
Other direct expenses		
Materials, supplies and building maintenance	7,054,330	5,431,006
Events, programs and exhibits	136,968	63,904
Property insurance	3,407,477	3,048,701
Brokerage and leasing	115,268	1,171
Provision for doubtful accounts	3,780,968	3,121,592
Rent	-	61,000
Transportation	1,590,074	1,291,975
Total direct expenses	43,206,612	36,674,014
Operating income, net of direct expenses	60,468,700	47,599,811
General and administrative expenses		
Personnel and fringe benefits	10,183,095	9,434,934
Other	17,507,332	6,394,706
Total general and administrative expenses	27,690,427	15,829,640
Operating income before depreciation and and amortization and non-operating income (expense)	32,778,273	31,770,171
DEPRECIATION AND AMORTIZATION AND NON-OPERATING INCOME (EXPENSE)		
Depreciation and amortization	(33,965,765)	(33,936,912)
Interest income	646,827	455,775
Interest expense	(18,595,611)	(17,681,463)
Forgiveness of debt	6,884,539	3,946,240
Financing and leasing costs incurred	-	(1,486,503)
Net depreciation and amortization and non-operating income (expense)	(45,030,010)	(48,702,863)
Loss before capital contributions	$ (12,251,737)	$ (16,932,692)

See independent auditors' report.

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, 2022 AND 2021

	2022	2021
PERSONNEL AND FRINGE BENEFIT EXPENSES		
Executive and legal	$ 1,722,534	$ 1,631,411
Finance and leasing	1,742,281	1,675,857
Human resources	475,105	364,280
Development and external affairs	1,307,886	1,221,721
Technology and information	561,042	498,472
Building 92 and employment center	1,226,851	990,994
Payroll taxes and fringe benefits	3,147,395	3,052,199
Total personnel and fringe benefits	10,183,094	9,434,934
Less: payroll and related costs capitalized	-	-
Net personnel and fringe benefit expenses	10,183,094	9,434,934
OTHER EXPENSES		
Legal	772,575	699,328
Audit and tax fees	250,192	304,927
Computer contract and supplies	1,497,493	1,229,733
Mailroom and postage	385,490	374,723
Communication	263,451	233,071
Director's liability insurance	39,650	33,269
Corporate	172,401	110,822
Community employment	222,446	189,622
Advertising and marketing	441,621	294,329
Stationery and office supplies	207,493	57,814
Consultants	1,194,409	988,674
Gasoline	77,483	45,204
Vehicle repairs and maintenance	176,287	99,789
Payroll processing	93,361	84,219
Education and training	56,741	43,242
State and local taxes	218,256	28,466
Grant expense	10,071,392	
Miscellaneous	1,346,388	1,577,474
Total other expenses	17,487,129	6,394,706
Total general and administrative expenses	$ 27,670,223	$ 15,829,640

See independent auditors' report.

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

Board of Directors of
Brooklyn Navy Yard Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities and general fund of Brooklyn Navy Yard Development Corporation (the "Corporation") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 30, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mayer Hoffman McCann CPAs

New York, NY
September 30, 2022