BROOKLYN BRIDGE PARK

BROOKLYN BRIDGE PARK CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)

Financial Statements
(Together with Independent Auditors' Report)

As of June 30, 2011 and for the Period From the
Commencement of Operations (July 29, 2010) Through June 30, 2011

Marks Paneth & Shron LLP
Certified Public Accountants & Consultants
IT ALL ADDS UP.

BROOKLYN BRIDGE PARK CORPORATION

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

AS OF JUNE 30, 2011 AND FOR THE PERIOD FROM THE COMMENCEMENT OF OPERATIONS (JULY 29, 2010) THROUGH JUNE 30, 2011

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Marks Paneth & Shron LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Brooklyn Bridge Park Corporation

We have audited the accompanying basic financial statements of Brooklyn Bridge Park Corporation ("BBPC"), a component unit of The City of New York, as of June 30, 2011 and for the period from the commencement of operations (July 29, 2010) through June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of BBPC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BBPC's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Bridge Park Corporation as of June 30, 2011 and the respective changes in its financial position and its cash flows for the period from the commencement of operations (July 29, 2010) through June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 2 through 3 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Marks Paneth & Shron LLP

New York, NY
September 30, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is an overview of the financial activities of Brooklyn Bridge Park Corporation ("BBPC"), a component unit of The City of New York (the "City") for the period from the commencement of operations (July 29, 2010) through June 30, 2011.

The financial statements consist of two parts: management's discussion and analysis (this section); and the financial statements. The basic financial statements, which include the statement of net assets, the statement of revenues, expenses and changes in net assets, the statement of cash flows and the notes to the financial statements, are presented to display information about BBPC in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended. This is to provide the reader with a broad overview of BBPC's finances. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, in which revenues are recognized in the period they are earned and expenses are recognized in the period they are incurred.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - FINANCIAL STATEMENTS

ORGANIZATION OVERVIEW

BBPC is the entity responsible for the planning, construction, maintenance and operation of Brooklyn Bridge Park (the "Park"), an 85-acre sustainable waterfront park stretching 1.3 miles along Brooklyn's East River shoreline. BBPC was incorporated in June 2010 under the New York State Not-for-Profit Laws and began operating on July 29, 2010 when it acquired control of, and responsibility for, the Park via a 99-year master ground lease from Brooklyn Bridge Park Development Corporation ("BBPDC"), a subsidiary of the Empire State Development Corporation. BBPC is governed by a 17-member board of directors appointed by the Mayor of New York City, the Governor of New York State and local elected officials.

Brooklyn Bridge Park operates under a mandate to be financially self sustaining. This mandate was memorialized in the Memorandum of Understanding signed by Governor George Pataki and Mayor Michael Bloomberg in 2002 that created Brooklyn Bridge Park. While a small fraction of the required operations and maintenance funds for the Park will be collected from concessions located throughout the Park, the majority of the funds will come from a limited number of revenue-generating development sites within the project's footprint. The development program was determined after an in-depth analysis of the potential development types and locations. The analysis focused on finding uses that would (1) generate sufficient revenue to support park operations, (2) minimize the size of the required development footprint, and (3) be compatible with the surrounding park and neighborhood uses. Development locations were chosen to (1) take advantage of the existing urban context by concentrating development on the city side of the site, particularly around the park entrances (2) maintain the protected view corridor from the Brooklyn Heights Promenade, and (3) create vital, active urban junctions at each of the Park's three main entrances.

FISCAL YEAR 2011 FINANCIAL HIGHLIGHTS:

During the period from the commencement of operations (July 29, 2010) through June 30, 2011, BBPC received approximately $21,043,000 in capital funds from the City pursuant to its funding agreement between the City and the New York City Department of Parks and Recreation. The current seventh amendment to the funding agreement allows for an increase of $4,900,000 to a revised total of $123,497,000 from a previous amount of $118,597,000. BBPC also received approximately $10,226,000 of capital funding designated for the development of the Park from the State of New York via the Port Authority of New York and New Jersey ("PANYNJ"). In addition, unspent capital funds of approximately $16,711,000 were transferred to BBPC from BBPDC. Other capital funding of approximately $4,286,000 was received by BBPC resulting in total capital funding receipts of approximately $52,266,000 during the period from the commencement of operations (July 29, 2010) through June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS AND OVERVIEW (CONTINUED):

As of June 30, 2011, BBPC's statement of net assets reflects the following:

- Unrestricted and restricted cash and cash equivalents were $34,248,443 (or 99%) of total current assets.
- Capital assets were $33,430,011, representing 49% of total assets. Such amount includes vehicles and equipment of $50,463 transferred from BBPDC to BBPC. The remaining capital assets consist primarily of costs incurred in developing the project, including $10,505,012 reflected as construction-in-progress.
- Total assets as of June 30, 2011 were $67,862,406.
- Total deferred revenue equals $19,396,857 or 80% of total liabilities.
- Total liabilities were $24,140,481.
- Total net assets were $43,721,925, of which $18,699,127 was restricted for capital projects.

During the period from the commencement of operations (July 29, 2010) through June 30, 2011, BBPC's operating revenue of $13,701,916 consisted largely of two one-time amounts. The permits and other fees of $3,833,834 were comprised of a negotiated $3,500,000 payment from the developers of One Brooklyn Bridge Park and the operating contributions of $8,845,395 transferred from BBPDC.

Operating expenses for the period from the commencement of operations (July 29, 2010) through June 30, 2011 of $3,760,270 consisted of $889,935 in personnel costs, including related benefits, $562,064 in utilities, $508,644 of professional fees, $436,863 in repairs and maintenance, $408,695 in depreciation and amortization, $6,354 in other postemployment obligations and benefits and $947,715 of other general, administrative and project expenses.

BBPC's total operating income for the period from the commencement of operations (July 29, 2010) through June 30, 2011 was $9,941,646. Total nonoperating revenues were $33,780,279, consisting mostly of capital contributions of $33,697,422 from the City, the PANYNJ and the capital funds transferred from BBPDC. BBPC's net assets as of June 30, 2011 were $43,721,925, of which $18,699,127 was restricted for capital projects.

As this was BBPC's first year of operations comparative financial information is not able to be presented. A comparative analysis will be presented in future years when information is available.

This financial report is designed to provide a general overview of BBPC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Brooklyn Bridge Park Corporation, 334 Furman Street, Brooklyn, NY 11201.

** **END** **

BROOKLYN BRIDGE PARK CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

ASSETS	
Current assets:	
Unrestricted cash and cash equivalents (Notes 2E and 8A)	$ 11,486,233
Restricted cash and cash equivalents (Notes 2F and 8A)	22,762,210
Accounts receivable (Note 2D)	179,495
Prepaid expenses	4,457
Total current assets	34,432,395
Noncurrent assets:	
Capital assets, net of accumulated depreciation (Notes 2G and 3)	33,430,011
Total noncurrent assets	
TOTAL ASSETS	$ 67,862,406
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	$ 4,737,270
Deferred revenue (Notes 2C, 2D and 4)	19,396,857
Total current liabilities	24,134,127
Noncurrent liabilities:	
Other postemployment benefits obligation (Notes 2J and 7)	6,354
Total noncurrent liabilities	6,354
TOTAL LIABILITIES	24,140,481
CONTINGENCIES (Note 9)	
NET ASSETS (Note 2H)	
Invested in capital assets	33,430,011
Restricted for capital projects	18,699,127
Unrestricted	(8,407,213)
TOTAL NET ASSETS	43,721,925
TOTAL LIABILITIES AND NET ASSETS	$ 67,862,406

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

BROOKLYN BRIDGE PARK CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE PERIOD FROM THE COMMENCEMENT OF OPERATIONS
(JULY 29, 2010) THROUGH JUNE 30, 2011

OPERATING REVENUES:	
Permits and other fees	$ 3,833,834
Payments in lieu of taxes and ground lease rent (Notes 2D and 5)	1,022,687
Operating contributions from Brooklyn Bridge Park Development Corporation	8,845,395
Total operating revenues	13,701,916
OPERATING EXPENSES:	
Personnel costs (Note 6)	889,935
Utilities	562,064
Professional fees	508,644
Repairs and maintenance	436,863
Depreciation and amortization	408,695
Other postemployment benefits obligation expense (Note 7)	6,354
Other general, administrative and project expenses	947,715
Total operating expenses	3,760,270
Operating income (Note 2B)	9,941,646
NONOPERATING REVENUES:	
Capital contributions (Note 4)	33,697,422
Contributed capital assets	50,463
Interest income	30,774
Other income	1,620
Total nonoperating revenues	33,780,279
CHANGE IN NET ASSETS	43,721,925
Net assets, beginning of period	-
NET ASSETS, END OF PERIOD	$ 43,721,925

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

BROOKLYN BRIDGE PARK CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM THE COMMENCEMENT OF OPERATIONS
(JULY 29, 2010) THROUGH JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from:	
Customer payments	$ 3,654,339
Tenant payments	1,851,134
Other receipts	8,845,395
Total cash receipts from operating activities	14,350,868
Cash payments for:	
Personnel costs	(815,544)
Services and supplies	(1,859,947)
Total cash payments for operating activities	(2,675,491)
Net Cash Provided by Operating Activities	11,675,377
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants and contributions received	52,265,832
Capital asset expenditures	(29,725,160)
Net Cash Provided by Capital and Related Financing Activities	22,540,672
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	32,394
Net Cash Provided by Investing Activities	32,394
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,248,443
Cash and cash equivalents - beginning of period	-
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 34,248,443
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 9,941,646
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	408,695
Changes in operating assets and liabilities:	
Accounts receivable	(179,495)
Prepaid expenses	(4,457)
Accounts payable and accrued expenses	4,737,270
Deferred revenue	828,447
Other postemployment benefits obligation	6,354
Net Cash Provided by Operating Activities	$ 15,738,460
RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR	
Unrestricted cash and cash equivalents	$ 11,486,233
Restricted cash and cash equivalents	22,762,210
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 34,248,443
Supplemental Disclosure of Cash Flow Information:	
Noncash capital and related financing transactions:	
Contributed capital assets	$ 50,463

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Brooklyn Bridge Park Corporation ("BBPC") was incorporated in June 2010 pursuant to the Not-for-Profit Corporation Law of the State of New York (the "State") and is a public charity and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. BBPC was formed for the purposes of lessening the burdens of government by furthering developing and enhancing the economic vitality of the Brooklyn waterfront through the development, operation and maintenance of a renovated waterfront area, including a public park, which serves the people of the New York City region. BBPC is responsible for the planning, construction, maintenance and operation of Brooklyn Bridge Park (the "Project"), an 85-acre sustainable waterfront park stretching 1.3 miles along Brooklyn's East River shoreline. In advancing such purposes, BBPC is performing an essential government function in partnership with The City of New York (the "City"). BBPC is governed by a 17-member board of directors appointed by the Mayor of New York City, the Governor of New York State and local elected officials.

For financial reporting purposes, BBPC is included as a component unit in the City's comprehensive annual financial report pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended.

The Project area is leased by the City to Brooklyn Bridge Park Development Corporation ("BBPDC"), a subsidiary of the New York State Urban Development Corporation, pursuant to the Prime Ground Lease Agreement. On July 29, 2010, BBPDC and BBPC entered into a Master Ground Lease Agreement (the "Ground Lease") where BBPDC leased the Project area to BBPC in order to advance the Project development plan for a one-time rental payment of $1. Also provided in the Ground Lease is the assignment of the operating revenues from the Project to BBPC to satisfy BBPC's obligations to maintain and operate the Project. The Ground Lease shall expire on July 28, 2109.

Pursuant to the Assignment Agreements between BBPDC and BBPC, BBPDC assigned to BBPC its entire right, title and interest in future capital funding from the Port Authority of New York and New Jersey ("PANYNJ") under the Port Authority Funding Agreement between BBPDC and PANYNJ and future funding from the City under the Park Funding Agreement between BBPDC and the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

BBPC'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, BBPC follows accounting principles generally accepted in the United States of America ("U.S. GAAP") as promulgated by the GASB. In addition, BBPC follows only the pronouncements of all applicable Financial Accounting Standards Board Statements issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

B. *Revenue and Expense Classification*

BBPC distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. Operating revenues and expenses generally result from BBPC's ongoing operations. The principal operating revenues include permits, concessions, rental income, payments in lieu of taxes ("PILOT") and other fees. Major operating expenses include project costs, personnel costs, professional fees and utilities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Grants and Contributions – Operating and Capital*

BBPC receives capital funding for eligible project costs pursuant to the funding agreements with the City, the PANYNJ and other funding sources. BBPC recognizes capital funding as revenue as eligible project costs are incurred. Differences between the project costs incurred on specific projects and the related receipts are reflected as grants and contributions receivable or as deferred revenue in the accompanying statement of net assets.

D. *Revenue from Ground Lease*

Base rent is recognized as earned in accordance with the contractual terms of the lease to which it relates. PILOT and upfront lease payments received in advance of the period to which they apply are deferred and recognized as revenue during future periods.

E. *Cash and Cash Equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents include cash in banks and on hand, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

F. *Restricted Assets*

Restricted assets consist of cash and cash equivalents and investments held and to be used for eligible project costs pursuant to funding agreements with the City, the PANYNJ and other funding sources. Accordingly, such amounts are not available for general corporate purposes.

G. *Capital Assets*

Costs incurred by BBPC in developing the project are capitalized as project assets and are recorded at cost. The costs of normal maintenance of the project that do not add value to the project or extend its useful life are not capitalized. Upon completion, site improvement costs are reclassified from construction-in-progress and amortized over a useful life of 20 years.

Other property and equipment purchased for use in operations by BBPC in excess of $5,000 is capitalized and depreciated using the straight-line method over the estimated useful life assigned, which varies from three to five years. Property and equipment transferred to BBPC pursuant to the Assignment Agreement with BBPDC were recorded at estimated fair value upon the date of the transfer.

H. *Net Assets*

BBPC's net assets are classified in the following categories: invested in capital assets, consisting of project assets, net of accumulated depreciation and amortization; restricted net assets, consisting of net assets restricted for specific purposes by law or parties external to BBPC; and unrestricted net assets, consisting of net assets that are not classified as invested in capital assets or restricted.

When both restricted and unrestricted resources are available for use, it is BBPC's policy to use restricted resources first, and then unrestricted resources as needed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *Use of Estimates*

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Estimates include reserves for doubtful accounts, depreciation, and other postemployment benefits. Actual results could differ from those estimates.

J. *Other Postemployment Benefits*

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("OPEB"). This Statement establishes standards for the measurement, recognition, and financial statement presentation of OPEB expenses and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. In accordance with GASB Statement No. 45, BBPC (a) implemented a systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates an employee's years of service, and (b) provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan.

K. *Recent Accounting Pronouncements*

- In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The Statement clarifies the accounting for a number of financial instruments including allocated and unallocated insurance contracts. The Statement is effective for financial statements beginning after June 15, 2010. GASB 59 did not have an impact on BBPC's financial statements.

- In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements.* The Statement establishes the financial reporting for service concession agreements. The Statement is effective for financial statement periods beginning after December 15, 2011. BBPC has not completed the process of evaluating GASB 60, but does not expect it to have an impact on its financial statements.

- In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statement No. 14 and No. 34.* The Statement amends existing standards relating to the composition and reporting of the governmental financial reporting entity. The statement is effective for financial statement periods beginning after June 15, 2012, but is not expected to have an impact on BBPC or its status as a discretely presented component unit of the City.

- In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements.* The Statement incorporates a large volume of Financial Accounting Standards Board and AICPA accounting pronouncements into the GASB hierarchy of generally accepted accounting principles for governments. The statement is effective for financial statement periods beginning after December 15, 2011. BBPC has not completed the process of the evaluation of GASB 62, but does not expect it to have an impact on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* is effective for financial statements for periods beginning after December 15, 2011. The Statement establishes new reporting requirements of two elements (deferred outflows of resources and deferred inflows of resources) and renames the statement of net assets to statement of net position, as well as reported net assets, and components thereof, to net position. BBPC has not completed the process of evaluating GASB 63, but it is expected to change only the formatting and naming of BBPC's statement of position and components thereof, with no overall financial impact.

- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision,* is effective for financial statements for periods beginning after June 15, 2011. The Statement clarifies the existing requirements for the termination of hedge accounting upon default or termination of a swap counterparty or swap counterparty's credit support provider. BBPC has not completed the process of evaluating GASB 64, but does not expect it to have an impact on its financial statements.

NOTE 3 – CAPITAL ASSETS

Project assets consisted of the following as of June 30, 2011:

	Balance, Beginning of Period	Additions	Deletions	Balance at June 30, 2011	Estimated Useful Lives
Site improvements	$ -	$ 23,190,506	$ -	$ 23,190,506	20 years
Furniture and fixtures	-	51,545	-	51,545	3-5 years
Vehicles and equipment	-	91,643	-	91,643	3-5 years
Total project assets	-	23,333,694	-	23,333,694	
Less: accumulated depreciation					
Site improvements	-	(385,623)	-	(385,623)	
Furniture and fixtures	-	(9,080)	-	(9,080)	
Vehicles and equipment	-	(13,992)	-	(13,992)	
Total accumulated depreciation	-	(408,695)	-	(408,695)	
Construction in progress	-	10,505,012	-	10,505,012	
Net book value	$ -	$ 33,430,011	$ -	$ 33,430,011	

BBPC has entered into planning, design, construction and other project-related contracts for site improvements, most of which are structured on a work order basis. BBPC is responsible for accrued expenses per authorized work order, not for the payment of contract balances. From July 1, 2011, expenses of approximately $183,000 have accrued, which will be paid upon receipt and review of the contractor invoices.

NOTE 4 – GRANTS AND CONTRIBUTIONS

BBPC received capital funding for the project totaling to $52,265,832 during the period from the commencement of operations (July 29, 2010) through June 30, 2011 and spent $33,697,422 during the year in eligible project costs. BBPC recognized the amount spent for eligible project costs as capital contributions in the accompanying statement of revenues, expenses, and changes in net assets while the unspent funds totaling to $18,568,410 are included in deferred revenue in the accompanying statement of net assets.

For the period from the commencement of operations (July 29, 2010) through June 30, 2011, BBPC recognized contributions for the capital assets and cash it received from BBPDC. The receipts were treated as non-exchange transactions as BBPC received value (benefit) from BBPDC without directly giving equal value in exchange.

NOTE 5 – FUTURE MINIMUM GROUND LEASE REVENUE

The future minimum base rent to be received under the ground lease during each of BBPC's five fiscal years ending from June 30, 2012 through 2016 and through the end of the lease term, are approximately as follows:

Year Ending June 30,	Amount
2012	$ 1,304,000
2013	1,343,000
2014	1,383,000
2015	1,424,000
2016	604,000
Total	$ 6,058,000

BBPC anticipates that as the ground lease expires a new lease will be entered into at rentals which are not less than those previously paid.

NOTE 6 – PENSION PLAN

BBPC's employees participate in the benefit plans of the New York City Economic Development Corporation ("EDC"), a component unit of the City. EDC maintains a defined contribution plan, which covers substantially all of BBPC's employees. The pension plan provides for variable contribution rates by BBPC ranging from 6% to 14% of the employee's eligible wages as defined in the plan document. Pension expense for the period from the commencement of operations (July 29, 2010) through June 30, 2011 amounted to $50,724 and is included in personnel costs in the accompanying statement of revenues, expenses and changes in net assets.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

BBPC's employees are eligible to participate in EDC's retiree health care plan. EDC sponsors a single employer defined benefit health care plan that provides postemployment medical for eligible retirees and their spouses. Employees who attain age 60 or more and have 10 years or more of service to retire from BBPC are eligible. BBPC is not required to and does not issue a publicly available financial report for the plan.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefit provisions and contribution requirements for the plan are established and amended through EDC's Board of Directors and there is no statutory requirement for EDC to continue this plan for future employees of EDC and BBPC. This plan is a contributory plan with retirees subject to contributions in the amount of $50 a month for single coverage and $100 a month for family coverage. Retirees receiving the postemployment health benefit pay a premium amount equal to what a current EDC or BBPC employee pays, based on his or her family status. Employer contributions are made on a pay-as-you-go basis.

At June 30, 2011, there was only one person currently employed by BBPC who met the required benefit eligibility of age 60 with at least 10 years of service as of the plan close date of June 30, 2022. There were no retirees of BBPC receiving benefits from the plan as of June 30, 2011.

BBPC's annual OPEB cost for the plan is calculated based on the annual required contribution "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

BBPC's annual OPEB cost for the current period and the related information for the plan are as follows:

Annual required contribution	$ 6,354
Increase in net OPEB obligation	6,354
Net OPEB obligation – beginning of period	-
Net OPEB obligation – end of period	6,354
Funded OPEB plan assets – end of period	-
Unfunded actuarial accrued liability – end of period	$ 6,354

The actuarial valuation date is June 29, 2010. As of June 30, 2011, the actuarial accrued liability for benefits attributable to BBPC was $6,354, all of which was unfunded. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. There is no funding progress or contribution schedule to be presented since this is the first measurement of BBPC's obligation.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between BBPC and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the July 29, 2010 actuarial valuation, the projected unit cost method with attribution from date of hire to date of first eligibility for benefits was used. Under this method, the excess of the unfunded actuarial accrued liability over the sum of the actuarial value of assets is amortized as a level dollar amount over a closed 30 year period. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 8% and grading down to an ultimate rate of 5%.

NOTE 8 – CASH AND INVESTMENTS

A. ***Cash and Cash Equivalents***

The bank balance of BBPC's deposits was $39,391,847, of which $250,807 was covered by Federal Deposit Insurance Corporation ("FDIC") insurance and the rest was uninsured. The uninsured balance was exposed to custodial risk on the basis that the uninsured bank balance is not collateralized.

NOTE 8 – CASH AND INVESTMENTS (Continued)

B. ***Investments***

BBPC's investment policy permits BBPC to invest funds of BBPC as summarized and restricted below:

- Obligations of the U.S. Treasury and other Federal Agency obligations,
- Commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc. or Fitch,
- Bankers' acceptances and time deposits of banks with worldwide assets in excess of $50 million.
- Certificates of deposit with New York banks. Such certificates of deposit must be FDIC-insured, except when otherwise collateralized.
- Other investments approved by the Comptroller of the City for the investment of City funds.

In addition to the above investments, BBPC may deposit funds in the following, with respect to funds needed for operational expenses and funds awaiting investment or disbursement:

- High quality money market mutual funds that restrict their investments to short-term, highly rated money market instruments.
- Other interest-bearing accounts if permitted by applicable laws, rules and regulations, with New York City financial institutions designated by the New York City Banking Commission.

BBPC held no investments as of June 30, 2011 and had no investment transactions during the period from the commencement of operations (July 29, 2010) through June 30, 2011.

NOTE 9 – CONTINGENCIES

A. In January 2011, a group of neighborhood associations filed a lawsuit against the National Park Service in the United States District Court for the Eastern District of New York seeking to prevent the proposed rehabilitation and development of two Civil War era structures located in Brooklyn Bridge Park and known as the Tobacco Warehouse and Empire Stores, respectively. The plaintiffs claimed that these structures could not be developed under (1) the Federal Land and Water Conservation Fund Act, and (2) the state public trust doctrine. BBPC and other interested parties intervened in the action. In July 2011, the federal court granted summary judgment to the plaintiffs on the federal claim, but declined to decide the state public trust claim. BBPC did not appeal the federal court's decision, and is evaluating whether to undertake the process required by the court's ruling to rehabilitate and develop the Empire Stores and Tobacco Warehouse buildings, known as "conversion." BBPC is in the process of determining the cost of such conversion, which is likely to be material. BBPC's financial model is based on the generation of an estimated $750,000 to $1,000,000 in annual revenues from the development and leasing of the Empire Stores for commercial uses. Should BBPC proceed with the conversion process in order to realize the projected income from the Empire Stores, the federal decision may still have a significant negative impact on BBPC's financial condition due to the associated cost and delays. The state claim continues to be litigated in the state court action described below.

NOTE 9 – CONTINGENCIES (Continued)

B. Also in January 2011, the same group of neighborhood associations commenced an Article 78 proceeding against BBPC and the New York State Office of Parks, Recreation and Historic Preservation in the State Supreme Court, Kings County. The plaintiffs' claims are identical to those alleged in federal court - that Federal Land and Water Conservation Fund Act and the public trust doctrine restrict development of the Tobacco Warehouse and Empire Stores buildings. The plaintiffs have not requested any monetary relief. BBPC's motion to dismiss the state court proceeding was submitted to the court in July 2011, the plaintiffs opposed the motion and the court has not yet issued a decision. BBPC believes that it has a meritorious position with respect to the plaintiffs' claims and intends to continue to vigorously defend the state litigation. In the event that BBPC does not prevail in the state court action, BBPC will be unable — regardless of whether it completes the conversion process mentioned in paragraph (a) above — to undertake the planned development and leasing of the Empire Stores unless state legislation is enacted to permit non-park use of the site. As discussed in paragraph (a), BBPC believes that the cancellation of the development plans for the Empire Stores would result in a decrease in projected annual revenue of between $750,000 to $1,000,000. However, because the conclusion of the state court action is unknown at this time, it is unclear whether this litigation will have any effect at all on BBPC's financial condition.