

BROOKLYN BRIDGE PARK

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

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2017 and 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**BROOKLYN BRIDGE PARK CORPORATION
(D/B/A BROOKLYN BRIDGE PARK)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)**

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Brooklyn Bridge Park Corporation (d/b/a Brooklyn Bridge Park)

We have audited the accompanying financial statements of Brooklyn Bridge Park Corporation (d/b/a Brooklyn Bridge Park) ("BBP"), a component unit of The City of New York, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise BBP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Bridge Park Corporation (d/b/a Brooklyn Bridge Park) as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marks Paneth LLP

New York, NY
September 29, 2017

**BROOKLYN BRIDGE PARK CORPORATION
(D/B/A BROOKLYN BRIDGE PARK)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is an overview of the financial activities of Brooklyn Bridge Park Corporation (d/b/a Brooklyn Bridge Park), ("BBP"), a component unit of The City of New York (the "City") for the years ended June 30, 2017 and 2016.

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 position, the statement of revenues, expenses and changes in net position, the statement of cash flows and the notes to the financial statements, are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as prescribed by the Governmental Accounting Standards Board ("GASB"). 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

BBP 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. BBP 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. BBP 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.

BBP 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 BBP. 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 2017 FINANCIAL HIGHLIGHTS:

During the year ended June 30, 2017, BBP received \$12,637,457 in capital funds from the City pursuant to its funding agreement between the City and the New York City Department of Parks and Recreation ("DPR"). During the year ended June 30, 2017, BBP spent \$20,620,027 on eligible project costs. Since June 30, 2011, BBP processed the eighth through fifteenth funding agreements. These agreements revised the total amounts from \$132,111,000 to \$282,344,000, respectively.

During the year ended June 30, 2016, BBP received \$13,775,129 in capital funds from the City pursuant to its funding agreement between the City and the New York City Department of Parks and Recreation ("DPR"). During the year ended June 30, 2016, BBP spent \$12,928,312 on eligible project costs.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED)**

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

The following summarizes the activities of BBP for the years ended June 30:

| | 2017 | 2016 | 2015 | Variance (%) | |
|---|-----------------------|-----------------------|-----------------------|-----------------|-----------------|
| | | | | 2017 vs 2016 | 2016 vs 2015 |
| OPERATING REVENUES: | | | | | |
| Permits and fees | \$ 1,861,575 | \$ 1,784,885 | \$ 1,623,892 | 4% | 10% |
| PILOT payments and ground lease rents | 35,566,497 | 8,238,489 | 32,026,349 | 332% | -74% |
| Total operating revenues | <u>37,428,072</u> | <u>10,023,374</u> | <u>33,650,241</u> | 273% | -70% |
| OPERATING EXPENSES: | | | | | |
| Personnel costs | 4,402,930 | 4,397,090 | 3,424,441 | 0% | 28% |
| Utilities, repairs and maintenance and security | 4,453,946 | 2,674,095 | 1,608,465 | 67% | 66% |
| Professional fees | 1,816,367 | 1,059,980 | 1,550,881 | 71% | -32% |
| Depreciation and amortization | 7,165,165 | 6,683,627 | 5,588,499 | 7% | 20% |
| General and administrative expenses | 886,768 | 992,646 | 809,912 | -11% | 23% |
| Other | (85,116) | 22,018 | 22,018 | -487% | 0% |
| Total operating expenses | <u>18,640,060</u> | <u>15,829,456</u> | <u>13,004,216</u> | 18% | 22% |
| Operating income (loss) | <u>18,788,012</u> | <u>(5,806,082)</u> | <u>20,646,025</u> | -424% | -128% |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| Capital and other contributions | 20,624,577 | 12,928,312 | 30,409,272 | 60% | -57% |
| Other contributions from government sources | - | 1,043,061 | 6,297 | -100% | 100% |
| Interest and other income | 107,745 | 27,063 | 213,290 | 298% | -87% |
| Total nonoperating revenues (expenses) | <u>20,732,322</u> | <u>13,998,436</u> | <u>30,628,859</u> | 48% | -54% |
| Change in net position | 39,520,334 | 8,192,354 | 51,274,884 | 382% | -84% |
| Net position - beginning of year | 247,052,992 | 238,860,638 | 187,585,754 | 3% | 100% |
| Net position - end of year | <u>\$ 286,573,326</u> | <u>\$ 247,052,992</u> | <u>\$ 238,860,638</u> | 16% | 3% |

OPERATING REVENUES:

FY2017 vs FY2016

The operating revenues for the year ended June 30, 2017 increased by \$27,404,698 from \$10,023,374 to \$37,428,072, primarily due to participation rent and sales transfer fees totaling \$15,437,378 pursuant to the lease agreement with the developers of the John Street development site and one-time lump sum rent payments totaling \$8,860,000 pursuant to the lease agreements with the developers of the Pier 1 development site. Also contributing to the increase were a combination of additional higher rent payments, Payments in Lieu of Taxes (PILOT) and Payment in Lieu of Mortgage Recording Tax (PILOMORT) totaling \$7,061,647. The year to year increases were partially offset by lower Payments in Lieu of Sales Tax (PILOST).

FY2016 vs FY2015

The operating revenues for the year ended June 30, 2016 decreased by \$23,626,867 from \$33,650,241 to \$10,023,374 primarily due to larger one-time lump sum rent payments totaling \$17,150,000 received in the prior fiscal year associated with the John Street development site and \$7,140,000 in PILOMORT revenues associated with the Pier 1 and Empire Stores development sites. Offsetting the year to year variance in one-time lump sum payments were \$604,310 of increases in PILOT.

BROOKLYN BRIDGE PARK CORPORATION
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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

OPERATING EXPENSES:

FY2017 vs. FY2016

BBP's operating expenses increased from the period ended June 30, 2016 by \$2,810,604 from \$15,829,456 to \$18,640,060. The depreciation expense increased from \$6,683,627 to \$7,165,165. The increase in depreciation is related to new assets placed into service in FY2017 which include park equipment and facility improvements. The increase in repairs and maintenance is primarily driven by expenses in association with the Park's ongoing capital and maritime maintenance projects. The increase in Professional Fees is attributed to higher legal costs associated with ongoing park litigation. The increases in Personnel Costs, Security, and Utilities are attributed to park growth and usage and the additional staff required to maintain the Park and the administrative functions.

FY2016 vs. FY2015

BBP's operating expenses increased from the period ended June 30, 2015 by \$2,825,240 from \$13,004,216 to \$15,829,456. The depreciation expense increased from \$5,588,499 to \$6,683,627. The increase in depreciation is related to new assets placed into service in FY2016 which include park equipment, the educational facility at 99 Plymouth Street, and improvements to the Main Street/John Street sections of the park. The increases in Personnel Costs, Security, and Repairs and Maintenance are attributed to park growth and usage and the additional staff required to maintain the Park and the administrative functions.

NONOPERATING REVENUES:

FY2017 vs. FY2016

BBP's nonoperating revenues increased from the period ended June 30, 2016 by \$6,733,886 from \$13,998,436 to \$20,732,322. BBP recognizes capital funding as revenue when eligible projects costs are incurred. Therefore, the increase in capital contributions correlates to a corresponding increase in project costs in the current year (see Note 5). BBP did not have any operating expenses in the current year.

FY2016 vs. FY2015

BBP's nonoperating revenues decreased from the period ended June 30, 2015 by \$16,630,423 from \$30,628,859 to \$13,998,436. BBP recognizes capital funding as revenue when eligible projects costs are incurred. Therefore, the decrease in capital contributions correlates to a corresponding decrease in project costs in the current year (see Note 5). Additionally, BBP recognized \$1,043,061 in nonoperating revenues from the Federal Emergency Management Agency ("FEMA") for expenditures incurred during Hurricane Sandy. BBP did not have any operating expenses in the prior year.

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YEARS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

The following summarizes BBP's assets, liabilities and net position as of June 30, 2017, 2016 and 2015:

| | 2017 | 2016 | 2015 | Variance (\$) | |
|--|-----------------------|-----------------------|-----------------------|----------------------|---------------------|
| | | | | 2017 vs 2016 | 2016 vs 2015 |
| ASSETS: | | | | | |
| Unrestricted cash and cash equivalents | \$ 25,657,660 | \$ 16,453,373 | \$ 58,938,622 | \$ 9,204,287 | \$ (42,485,249) |
| Restricted cash and cash equivalents | 29,815,636 | 29,337,877 | 25,203,751 | 477,759 | 4,134,126 |
| Accounts receivable | 15,394,254 | 555,542 | 714,386 | 14,838,712 | (158,844) |
| Short-term investments | 1,249,791 | 12,560,565 | - | (11,310,774) | 12,560,565 |
| Long-term investments | 23,562,387 | 17,148,225 | - | 6,414,162 | 17,148,225 |
| Prepaid expenses | 38,231 | 38,016 | 42,510 | 215 | (4,494) |
| Capital assets, net | <u>229,556,509</u> | <u>198,096,492</u> | <u>183,850,592</u> | <u>31,460,017</u> | <u>14,245,900</u> |
| Total Assets | <u>325,274,468</u> | <u>274,190,090</u> | <u>268,749,861</u> | <u>51,084,378</u> | <u>5,440,229</u> |
| LIABILITIES: | | | | | |
| Accounts payable and accrued expenses | 11,497,670 | 5,205,245 | 7,803,078 | 6,292,425 | (2,597,833) |
| Security deposits | 3,397,618 | 2,558,297 | 2,023,923 | 839,321 | 534,374 |
| Unearned revenue | 23,805,854 | 19,288,440 | 19,999,124 | 4,517,414 | (710,684) |
| OPEB obligation | <u>-</u> | <u>85,116</u> | <u>63,098</u> | <u>(85,116)</u> | <u>22,018</u> |
| Total Liabilities | <u>38,701,142</u> | <u>27,137,098</u> | <u>29,889,223</u> | <u>11,564,044</u> | <u>(2,752,125)</u> |
| NET POSITION: | | | | | |
| Invested in capital assets | 229,556,509 | 198,096,492 | 183,850,592 | 31,460,017 | 14,245,900 |
| Restricted for capital projects | 8,389,696 | 7,596,286 | 1,771,720 | 793,410 | 5,824,566 |
| Unrestricted | <u>48,627,121</u> | <u>41,360,214</u> | <u>53,238,326</u> | <u>7,266,907</u> | <u>(11,878,112)</u> |
| Total Net Position | <u>\$ 286,573,326</u> | <u>\$ 247,052,992</u> | <u>\$ 238,860,638</u> | <u>\$ 39,520,334</u> | <u>\$ 8,192,354</u> |
| Total Liabilities and Net Position | \$ 325,274,468 | \$ 274,190,090 | \$ 268,749,861 | 51,084,378 | 5,440,229 |

FY2017 vs. FY2016

At June 30, 2017 BBP maintained total assets of \$325,274,468 which was \$51,084,378 higher than total assets of \$274,190,090 as of June 30, 2016.

BBP's current assets as of fiscal year ended June 30, 2016 were \$58,945,373 and such amounts increased by \$13,210,199 to \$72,155,572 as of June 30, 2017. Bank deposits consisting of unrestricted and restricted cash and cash equivalents increased by \$9,682,046 to \$55,473,296 as compared to bank deposits of \$45,791,250 held at June 30, 2016. BBP receives operating cash from permits, concessions, and leases. Funding from the New York City Department of Parks and Recreation ("DPR") was used for capital assets while the operating funding is used for personnel services and daily maintenance and operations of the Park. The increase in restricted and unrestricted cash is net of these costs used to build and maintain the Park. Additionally, BBP had a participation rent receivable of \$13,658,307 pursuant to the lease agreement with the developers of the John Street development site.

BBP's noncurrent assets as of fiscal year ended June 30, 2016 were \$215,244,717 and such amounts increased by \$37,874,179 to \$253,118,896 (representing 78% of total assets) as of June 30, 2017. Such amounts consist of capital assets and include site improvements of \$113,276,437 for Pier 2, Pier 3/4 uplands, Pier 4 beach, Pier 5, Pier

BROOKLYN BRIDGE PARK CORPORATION
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(A COMPONENT UNIT OF THE CITY OF NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

6, and the Main and John Street sections of the park. Other amounts for Building, improvements, and carousel of \$32,133,842 include Squibb Park and Bridge, Jane's Carousel, and the educational facility at 99 Plymouth Street. A remaining substantial amount of \$110,400,658 was for construction in progress, costs that are primarily incurred in developing the park for Pier 3, Pier 5 Uplands, BBP Boathouse, and the new maintenance and operations facility at 330 Furman Street.

At June 30, 2017 BBP maintained short term and long term investments valued at \$1,249,791 and \$23,562,387 respectively in accordance with BBP's investment policy. (See Note 3)

The increase in liabilities of \$11,564,044 from June 30, 2016 to June 30, 2017 is primarily due to increases in accounts payable and unearned revenue. BBP recorded 12,499,984 in unearned revenue to defer the initial lease payment received from the Pier 6 developer as it is contingent upon the outcome of the ongoing litigation. BBP also recognizes revenue for the capital funding spent on construction projects.

Net position as of June 30, 2017 was \$286,573,326 of which \$229,556,509 was invested in capital assets and \$8,389,696 was restricted. The overall increase of 16% or \$39,520,334 over net position at June 30, 2016 represents ongoing construction and improvements throughout the park.

FY2016 vs. FY2015

At June 30, 2016 BBP maintained total assets of \$274,190,090 which was \$5,440,229 higher than total assets of \$268,749,861 as of June 30, 2015.

Bank deposits consisting of unrestricted and restricted cash and cash equivalents decreased by \$38,351,123 to \$45,791,250 as compared to bank deposits of \$84,142,373 held at June 30, 2015. BBP receives operating cash from permits, concessions, and leases. Funding from the New York City Department of Parks and Recreation ("DPR") was used for capital assets while the operating funding is used for personnel services and daily maintenance and operations of the Park. The increase in restricted and unrestricted cash is net of these costs used to build and maintain the Park.

BBP's noncurrent assets as of fiscal year ended June 30, 2015 were \$183,850,592 and such amounts increased by \$31,394,125 to \$215,244,717 (representing 79% of total assets) as of June 30, 2016. Such amounts consist of capital assets and include site improvements of \$113,224,978 for Pier 2, Pier 3/4 uplands, Pier 4 beach, Pier 5, Pier 6, and the Main and John Street sections of the park. Other amounts for Building, improvements, and carousel of \$29,045,094 include Squibb Park and Bridge, Jane's Carousel, and the educational facility at 99 Plymouth Street. A remaining substantial amount of \$75,306,983 was for construction in progress, costs that are primarily incurred in developing the park for pile repair, Pier 3, and the Pier 5 Uplands.

At June 30, 2016 BBP maintained short term and long term investments valued at \$12,560,565 and \$17,148,225 respectively in accordance with BBP's investment policy. (See Note 3)

The decrease in liabilities of \$2,752,125 from June 30, 2015 to June 30, 2016 is primarily due to decreases in accounts payable and deferred revenue due to recognizing revenue for the capital funding spent on BBP construction projects.

Net position as of June 30, 2016 was \$247,052,992 of which \$198,096,492 was invested in capital assets and \$7,596,286 was unrestricted. The overall increase of 3% or \$8,192,350 over net position at June 30, 2015 represents ongoing construction and improvements throughout the park.

This financial report is designed to provide a general overview of BBP'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)
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Unrestricted cash and cash equivalents (Notes 2E and 9) | \$ 25,657,660 | \$ 16,453,373 |
| Restricted cash and cash equivalents (Notes 2F and 9) | 29,815,636 | 29,337,877 |
| Accounts receivable (Note 2D) | 15,394,254 | 555,542 |
| Short-term investments (Notes 2G and 3) | 1,249,791 | 12,560,565 |
| Prepaid expenses | 38,231 | 38,016 |
| Total current assets | 72,155,572 | 58,945,373 |
| Noncurrent assets: | | |
| Long-term investments (Notes 2G and 3) | 23,562,387 | 17,148,225 |
| Capital assets, net of accumulated depreciation (Notes 2H and 4) | 229,556,509 | 198,096,492 |
| Total noncurrent assets | 253,118,896 | 215,244,717 |
| TOTAL ASSETS | \$ 325,274,468 | \$ 274,190,090 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses (Note 4) | \$ 11,497,670 | \$ 5,205,245 |
| Security deposits | 708,140 | 507,973 |
| Unearned revenue (Notes 2C, 2D, 5 and 6) | 23,805,854 | 19,288,440 |
| Total current liabilities | 36,011,664 | 25,001,658 |
| Noncurrent liabilities: | | |
| Security deposits | 2,689,478 | 2,050,324 |
| Other postemployment benefits obligation (Notes 2K and 8) | - | 85,116 |
| Total noncurrent liabilities | 2,689,478 | 2,135,440 |
| TOTAL LIABILITIES | 38,701,142 | 27,137,098 |
| COMMITMENTS AND CONTINGENCIES (Note 10) | | |
| NET POSITION (Note 2I) | | |
| Invested in capital assets | 229,556,509 | 198,096,492 |
| Restricted for capital projects | 8,389,696 | 7,596,286 |
| Unrestricted | 48,627,121 | 41,360,214 |
| TOTAL NET POSITION | 286,573,326 | 247,052,992 |
| TOTAL LIABILITIES AND NET POSITION | \$ 325,274,468 | \$ 274,190,090 |

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

BROOKLYN BRIDGE PARK 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, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------|-----------------------|
| OPERATING REVENUES: | | |
| Permits and other fees | \$ 1,861,575 | \$ 1,784,885 |
| Payments in lieu of taxes and ground lease rent (Notes 2D and 6) | <u>35,566,497</u> | <u>8,238,489</u> |
| Total operating revenues (Note 2B) | <u>37,428,072</u> | <u>10,023,374</u> |
| OPERATING EXPENSES: | | |
| Personnel costs (Note 7) | 4,402,930 | 4,397,090 |
| Utilities | 427,880 | 296,223 |
| Professional fees | 1,816,367 | 1,059,980 |
| Repairs and maintenance | 2,890,905 | 1,497,063 |
| Security (Note 10C) | 1,135,161 | 880,809 |
| Depreciation and amortization | 7,165,165 | 6,683,627 |
| Other postemployment benefits obligation expense (Note 8) | (85,116) | 22,018 |
| Other general, administrative and project expenses | 886,768 | 992,646 |
| Total operating expenses (Note 2B) | <u>18,640,060</u> | <u>15,829,456</u> |
| Operating income (loss) | <u>18,788,012</u> | <u>(5,806,082)</u> |
| NONOPERATING REVENUES (EXPENSES): | | |
| Capital and other contributions (Note 5A) | 20,624,577 | 12,928,312 |
| Other contributions from government sources | - | 1,043,061 |
| Investment income | 94,994 | 7,931 |
| Other interest income | <u>12,751</u> | <u>19,132</u> |
| Total nonoperating revenues (expenses) | <u>20,732,322</u> | <u>13,998,436</u> |
| CHANGE IN NET POSITION | 39,520,334 | 8,192,354 |
| Net position, beginning of year | <u>247,052,992</u> | <u>238,860,638</u> |
| NET POSITION, END OF YEAR | <u>\$ 286,573,326</u> | <u>\$ 247,052,992</u> |

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

BROOKLYN BRIDGE PARK CORPORATION
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash receipts from: | | |
| Customer payments | \$ 1,428,368 | \$ 2,309,682 |
| Tenant payments | 33,660,976 | 6,315,036 |
| Total cash receipts from operating activities | 35,089,344 | 8,624,718 |
| Cash payments for: | | |
| Personnel costs | (4,389,082) | (4,453,711) |
| Services and supplies | (8,545,638) | (4,726,183) |
| Total cash payments for operating activities | (12,934,720) | (9,179,894) |
| Net Cash Provided by (Used in) Operating Activities | 22,154,624 | (555,176) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Payments from lessees - security deposits | 839,321 | 534,374 |
| Net Cash Provided by Noncapital Financing Activities | 839,321 | 534,374 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital and other contributions received | 12,642,007 | 13,775,128 |
| Other contributions from government sources received | - | 1,043,061 |
| Capital asset expenditures | (30,958,263) | (23,466,783) |
| Net Cash Used in Capital and Related Financing Activities | (18,316,256) | (8,648,594) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | (23,464,121) | (41,962,560) |
| Sales of investments | 28,003,000 | 12,019,678 |
| Interest received | 465,478 | 261,155 |
| Net Cash Provided by (Used in) Investing Activities | 5,004,357 | (29,681,727) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 9,682,046 | (38,351,123) |
| Cash and cash equivalents - beginning of year | 45,791,250 | 84,142,373 |
| CASH AND CASH EQUIVALENTS—END OF YEAR | \$ 55,473,296 | \$ 45,791,250 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ 18,788,012 | \$ (5,806,082) |
| Adjustments to reconcile operating income to net cash from operating activities: | | |
| Depreciation and amortization | 7,165,165 | 6,683,627 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (14,838,712) | 158,844 |
| Prepaid expenses | (215) | 4,494 |
| Accounts payable and accrued expenses | (1,374,494) | (60,577) |
| Unearned revenue | 12,499,984 | (1,557,500) |
| Other postemployment benefits obligation | (85,116) | 22,018 |
| Net Cash Provided by (Used in) Operating Activities | \$ 22,154,624 | \$ (555,176) |
| RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR: | | |
| Unrestricted cash and cash equivalents | \$ 25,657,660 | \$ 16,453,373 |
| Restricted cash and cash equivalents | 29,815,636 | 29,337,877 |
| CASH AND CASH EQUIVALENTS—END OF YEAR | \$ 55,473,296 | \$ 45,791,250 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Noncash capital and related financing transactions: | | |
| Accrued capital asset expenditures | \$ 10,120,070 | \$ 2,453,151 |

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

**BROOKLYN BRIDGE PARK CORPORATION
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NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Brooklyn Bridge Park Corporation (d/b/a Brooklyn Bridge Park) (“BBP”) 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. BBP 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. BBP 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, BBP is performing an essential government function in partnership with The City of New York (the “City”). BBP is governed by a 17-member board of directors appointed by the Mayor of New York City, 8 of whom are nominated by the Governor of New York State and local elected officials.

Portions of the Project area are 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 BBP entered into a Master Ground Lease Agreement (the “Ground Lease”) where BBPDC leased the Project area, including office space at 334 Furman Street, to BBP 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 BBP to satisfy BBP’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 BBP, BBPDC assigned to BBP 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.

For financial reporting purposes, BBP 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

BBP’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, BBP follows accounting principles generally accepted in the United States of America (“U.S. GAAP”) as promulgated by the GASB.

B. *Revenue and Expense Classification*

BBP distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. Operating revenues and expenses generally result from BBP’s ongoing operations. The principal operating revenues include permits, concessions, rental income, payments in lieu of taxes (“PILOT”), payments in lieu of sales taxes (“PILOST”), payments in lieu of mortgage recording taxes (“PILOMRT”) and other fees. Major operating expenses include park operating costs, personnel costs, professional fees and utilities.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Grants and Contributions*

BBP receives capital funding for certain eligible project costs pursuant to the funding agreements with the City, PANYNJ and other funding sources. BBP 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 unearned revenue in the accompanying statement of net position.

BBP also records contributions of cash and other assets from private donors when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as unrestricted or restricted net position in the accompanying statement of net position depending on any donor restriction.

D. *Revenues from Ground Lease Rents and Payments in Lieu of Taxes*

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. Initial lease payments which are nonrefundable and PILOST and PILOMRT payments are recognized as revenue when received.

BBP determines whether an allowance for uncollectible receivables should be provided for leases receivable, PILOT, PILOST, PILOMRT and other receivables. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, creditworthiness of its donors, historical experience, and collections subsequent to year end. As of June 30, 2017 and 2016, BBP determined an allowance of \$2,654 and \$0, respectively, was necessary for PILOT receivable.

E. *Cash Equivalents*

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

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, PANYNJ and other funding sources. Accordingly, such amounts are not available for general corporate purposes.

G. *Investments and Fair Value Measurements*

Investments are reported at fair value based on quoted market value. Securities transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are determined on a specific identification basis and are included in investment income in the accompanying statements of revenue, expenses and changes in net position. Interest income is recognized when earned.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 3.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Capital Assets*

Costs incurred by BBP 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 the estimated useful lives.

Other property and equipment purchased for use in operations by BBP in excess of \$10,000 is capitalized and depreciated using the straight-line method over the estimated useful life assigned.

The estimated useful lives of depreciable capital assets are as follows:

| | |
|---------------------------|----------------|
| Site improvements | 10 to 30 years |
| Carousel | 50 years |
| Building and improvements | 15 to 25 years |
| Vehicles and equipment | 3 to 5 years |

I. *Net Position*

BBP's net position is classified in the following categories: invested in capital assets, consisting of project assets, net of accumulated depreciation and amortization; restricted net position, consisting of net position restricted for specific purposes by law or parties external to BBP; and unrestricted net position, consisting of net position that is not classified as invested in capital assets or restricted. When both restricted and unrestricted resources are available for use for a specific purpose, it is BBP's policy to use restricted resources first then unrestricted resources as they are needed.

Restricted net position represents restricted assets reduced by the liabilities related to those assets. A liability is related to a restricted asset when the asset results from incurring that liability or if the liability will be liquidated with the restricted asset. If the liabilities relating to the restricted assets are greater than those assets, then no balance is reported as restricted net position. Such negative amount would be reported as a reduction to unrestricted net position.

J. *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 receivable, depreciation, and other postemployment benefits. Actual results could differ from those estimates.

K. *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, BBP 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.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Recent Accounting Pronouncements*

As a component unit of the City, BBP implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards which may impact BBP in the future years.

- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“GASB 74”). GASB 74 establishes financial reporting standards for state and local governmental other postemployment benefit (“OPEB”) plans. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016. The adoption of GASB 74 did not have an impact on BBP’s financial statements, as BBP is not an OPEB Plan.
- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”). GASB 75 establishes accounting and financial reporting standards for OPEB that is provided to employees of state and local governmental employees. The requirements of GASB 75 are effective for fiscal years beginning after June 15, 2017. GASB 75 did not have an impact on BBP’s financial statements, as it has no employees eligible for OPEB.
- In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, (“GASB 83”). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The requirements of GASB 83 are effective for fiscal years beginning after June 15, 2018. BBP has not completed the process of evaluating the impact, if any, of GASB 83 on BBP’s financial statements.
- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, (“GASB 84”). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. BBP has not completed the process of evaluating GASB 84, but does not expect it to have an impact on BBP’s financial statements, as it does not enter in fiduciary activities.
- In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, (“GASB 85”). The objective of GASB 85 is to address practice issues that have been identified during implementation and application of certain GASB statements. The requirements of GASB 85 are effective for fiscal years beginning after June 15, 2016. The adoption of GASB 85 did not have an impact on BBP’s financial statements.
- In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, (“GASB 86”). The primary objective of GASB 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of GASB 86 are effective for fiscal years beginning after June 15, 2017. BBP has not completed the process of evaluating GASB 86, but does not expect it to have an impact on BBP’s financial statements.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In June 2017, GASB issued Statement No. 87, *Leases*, (“GASB 87”). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. BBP has not completed the process of evaluating GASB 87.

M. *Reclassification*

Certain line items in the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

BBP’s investments consisted of the following at June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|-------------------------|----------------------|----------------------|
| Certificates of Deposit | \$ 2,748,678 | \$4,502,803 |
| U.S Treasury securities | - | 1,999,180 |
| U.S. Government bonds | <u>22,063,500</u> | <u>23,206,807</u> |
| | <u>\$ 24,812,178</u> | <u>\$ 29,708,790</u> |

BBP’s investment policy permits BBP to invest funds of BBP 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, BBP may deposit funds in the following, with respect to funds needed for operational expenses and funds awaiting investment or disbursement:

- 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.

BBP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

BBP has the following recurring fair value measurements as of June 30, 2017 and 2016:

- Certificates of Deposit are carried at cost which approximate fair value (Level 1 inputs).
- U.S. Treasury securities of \$0 and \$1,999,180 are valued using quoted market prices (Level 1 inputs).
- U.S. Government bonds of \$22,063,500 and \$23,206,807 are valued using a matrix pricing model (Level 2 inputs).

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, BBP may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are registered and are held by BBP's agent in BBP's name.

Credit Risk

All investments held by BBP at June 30, 2017 and 2016 are obligations of, or guaranteed by, the United States of America; or are invested in Federal National Mortgage Association securities, which are rated by S&P AA+ and Moody AAA; Federal Home Loan Bank securities, which are rated by S&P AA+ and Moodys AAA; Federal Home Loan Mortgage Corporation securities, which are rated by S&P AA+ and Moodys AAA; and Tennessee Valley Authority securities, which are rated by S&P AA+ and Moodys AAA; and certificates of Deposits with New York Banks which are Federal Deposit Insurance Corporation insured.

Interest Rate Risk

BBP's short-term maturities are subject to minimal risk of fair value declines due to changes in market interest rates. Investments with longer terms are expected to be held until maturity thereby limiting the exposure from rising interest rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of BBP's investments in a single issuer (5% or more). BBP's investment policy places no limits on the amount BBP may invest in any one issuer of eligible investments as defined in the Indenture. As of June 30, 2017 and 2016, 89% and 85%, respectively, of BBP's investments are in eligible government obligations and 11% and 15%, respectively, are Certificates of Deposits with New York Banks.

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NOTE 4 – CAPITAL ASSETS

The changes in project assets for the year ended June 30, 2017 were as follows:

| | <u>Balance at</u> <u>June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>June 30, 2017</u> |
|-------------------------------------|---|----------------------|---------------------|---|
| Site improvements | \$ 113,224,978 | \$ 51,459 | \$ - | \$ 113,276,437 |
| Building, improvements and carousel | 29,045,094 | 3,088,748 | - | 32,133,842 |
| Furniture and fixtures | 188,364 | 194,721 | - | 383,085 |
| Vehicles and equipment | <u>980,900</u> | <u>196,579</u> | - | <u>1,177,479</u> |
| Total project assets | <u>143,439,336</u> | <u>3,531,507</u> | - | <u>146,970,843</u> |
| Less: accumulated depreciation | | | | |
| Site improvements | (18,686,076) | (6,550,422) | - | (25,236,498) |
| Building improvements and carousel | (1,277,750) | (285,341) | - | (1,563,091) |
| Furniture and fixtures | (132,160) | (73,156) | - | (205,316) |
| Vehicles and equipment | <u>(553,841)</u> | <u>(256,246)</u> | - | <u>(810,087)</u> |
| Total accumulated depreciation | <u>(20,649,827)</u> | <u>(7,165,165)</u> | - | <u>(27,814,992)</u> |
| Construction in progress | <u>75,306,983</u> | <u>35,600,412</u> | <u>(506,737)</u> | <u>110,400,658</u> |
| Net project assets | <u>\$ 198,096,492</u> | <u>\$ 31,966,754</u> | <u>\$ (506,737)</u> | <u>\$ 229,556,509</u> |

The changes in capital assets for the year June 30, 2016 were as follows:

| | <u>Balance at</u> <u>June 30, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>June 30, 2016</u> |
|-------------------------------------|---|----------------------|------------------------|---|
| Site improvements | \$ 88,779,813 | \$ 24,445,165 | \$ - | \$ 113,224,978 |
| Building, improvements and carousel | 24,159,775 | 4,885,319 | - | 29,045,094 |
| Furniture and fixtures | 149,814 | 38,550 | - | 188,364 |
| Vehicles and equipment | <u>755,924</u> | <u>244,976</u> | - | <u>980,900</u> |
| Total project assets | <u>113,845,326</u> | <u>29,594,010</u> | - | <u>143,439,336</u> |
| Less: accumulated depreciation | | | | |
| Site improvements | (12,472,098) | (6,213,978) | - | (18,686,076) |
| Building improvements and carousel | (1,008,750) | (269,000) | - | (1,277,750) |
| Furniture and fixtures | (108,117) | (24,043) | - | (132,160) |
| Vehicles and equipment | <u>(377,235)</u> | <u>(176,606)</u> | - | <u>(553,841)</u> |
| Total accumulated depreciation | <u>(13,966,200)</u> | <u>(6,683,627)</u> | - | <u>(20,649,827)</u> |
| Construction in progress | <u>83,971,466</u> | <u>20,845,009</u> | <u>(29,509,492)</u> | <u>75,306,983</u> |
| Net project assets | <u>\$ 183,850,592</u> | <u>\$ 43,755,392</u> | <u>\$ (29,509,492)</u> | <u>\$ 198,096,492</u> |

BBP has entered into planning, design, construction and other project-related contracts for site improvements, most of which are structured on a work order basis. BBP is responsible for accrued expenses per authorized work order, not for the payment of contract balances. Capital expenditures totaling to \$10,120,070 and \$2,453,151 were accrued as of June 30, 2017 and 2016, respectively, which will be paid upon receipt and review of the contractor invoices

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NOTE 5 – GRANTS AND CONTRIBUTIONS

A. *Capital Contributions from Government Sources*

During the years ended June 30, 2017 and 2016, BBP received capital funding for the project totaling \$12,637,457 and \$13,775,129, respectively. During the years ended June 30, 2017 and 2016, BBP spent \$20,620,027 and \$12,928,312, respectively, on eligible project costs. BBP recognized the amount spent for eligible project costs as capital contributions in the accompanying statement of revenues, expenses and changes in net position while the unspent funds are included in unearned revenue in the accompanying statement of net position.

Included in capital contributions from government sources in the accompanying statements of revenue, expenses and changes in net position are revenues derived from capital contracts with the City, which amounted to \$20,620,027 and \$12,928,312 for the years ended June 30, 2017 and 2016, respectively. Such amounts represented approximately 35% and 54%, respectively, of total revenues.

B. *Non-Cash Capital Contributions*

During the year ended June 30, 2012, BBP also received a donation of a restored 1920's carousel ("Jane's Carousel") along with a structure in which Jane's Carousel is housed. BBP recorded such donated assets at their estimated fair values of \$4,250,000 and \$9,200,000, respectively. Such fair values were estimated based upon independent appraisals.

Pursuant to the Donation Agreement (the "Agreement") with the donor of Jane's Carousel, BBP has agreed that for a period of thirty years, commencing as of the date of the Agreement of May 21, 2010, BBP shall not permanently remove Jane's Carousel from the Park, provided, however, that Jane's Carousel may be temporarily removed for repair, refurbishment, protection from flood or other dangerous natural occurrence, to accommodate necessary excavation work, and for other similar purposes and that Jane's Carousel shall be promptly reinstalled in the Park after the purpose for its removal is concluded.

In addition, the donor has agreed to operate and maintain Jane's Carousel and to fund all costs and expenses of such operation and maintenance for a period of ten years from the date of commencement of operation of Jane's Carousel.

NOTE 6 – FUTURE MINIMUM GROUND LEASE REVENUES

BBP is entitled to future ground lease rents and PILOT payments from the development at 360 Furman Street pursuant to a ground lease entered into by BBPDC and a tenant in February 2008. The ground lease is for a 99-year term expiring in 2106. The ground lease provides for base annual rental payments of \$1,250,000 for the first three years and increasing 3% annually thereafter.

In June 2012, BBP entered into agreements for the development of a hotel and residential development on Pier 1. BBP has entered into ground lease and lease administration agreements which expire in July 2109. The ground leases provide for upfront base rent payments totaling \$5,940,000 which is equal to the base rent payable under such leases for the first lease year. Base rents for years two through four of the ground leases amount to \$800,000 per year and on the first day of the fifth lease year the tenant shall pay the non-refundable sum of \$9,660,000. Commencing on the first day of the tenth lease year and the first day of every fifth lease year thereafter throughout the term the annual base rent shall be increased by 7.5%. The ground leases also contain provisions for the payment of PILOT, PILOST and PILOMRT to BBP.

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NOTE 6 – FUTURE MINIMUM GROUND LEASE REVENUES (Continued)

In August 2013, BBPDC acquired fee title to a property which automatically became part of BBPDC's Ground Lease with BBP. The cost of acquiring the property of \$9,200,000 was paid by BBP and was reflected as land acquisition costs in nonoperating expenses in the accompanying financial statements for the year ended June 30, 2014. BBP then entered into a ground lease agreement, for a portion of the acquired property, with the developer which expires in July 2109.

During the year ended June 30, 2014, BBP received an initial lease payment from the developer amounting to \$9,350,000 and such payment was used to fund the acquisition of the property. The ground lease provided for a second lease payment of \$17,150,000 which was paid to BBP in August 2014 and base rental payments commencing on the fourth anniversary of the commencement date increasing 3% annually thereafter. The ground lease also contains provisions for the payment of percentage rent, PILOT, PILOST and PILOMRT to BBP. The initial and second lease payments were deemed fully earned and is non-refundable under any circumstances.

In September 2013, BBP entered into an agreement for the development of Empire Stores. Pursuant to this agreement, BBP has entered into a ground lease agreement with the developer which expires in July 2109. During the year ended June 30, 2014, BBP received an initial lease payment from the developer amounting to \$26,000,000. Such initial lease payment was deemed fully earned and is non-refundable under any circumstances. BBP reflected such payment as ground lease rent revenue during the year ended June 30, 2014 in the accompanying financial statements. The ground lease provides for base annual rents commencing after the third anniversary of the commencement date with escalation clauses for increases in base rent over the term of the lease. The ground lease also contains provisions for the payment of percentage rent, PILOT, PILOST and PILOMRT to BBP.

In December 2013, BBP entered into an agreement for the development of a marina at Pier 5. Pursuant to this agreement, BBP has entered into a ground lease agreement with the developer which expires in December 2043. The ground lease also contains provisions for the payment of percentage rent, PILOT, PILOST and PILOMRT to BBP.

In July 2016, BBP entered into an agreement for the development of condominium buildings on two parcels of Pier 6. Pursuant to this agreement, BBP has entered into a ground lease agreement with the developer which expires in July 2109. During the year ended June 30, 2017, BBP received two initial lease payments from the developer amounting to approximately \$12,500,000. Such initial lease payments were deferred as they are refundable pending on a litigation against the construction as described in Note 10B. The ground lease provides for base annual rents commencing after the third anniversary of the commencement date with escalation clauses for increases in base rent over the term of the lease. The ground lease also contains provisions for the payment of percentage rent, PILOT, PILOST, and PILOMRT to BBP.

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NOTE 6 – FUTURE MINIMUM GROUND LEASE REVENUES (Continued)

The future minimum base rent to be received under the ground leases during each of BBP’s five fiscal years ending from June 30, 2018 through 2022, each five year period from fiscal years ending from June 30, 2022 through 2067 and through the end of the lease terms (thereafter), are approximately as follows:

| | |
|------------|------------------------|
| 2018 | \$ 4,473,000 |
| 2019 | 4,579,000 |
| 2020 | 5,322,000 |
| 2021 | 5,475,000 |
| 2022 | 5,641,000 |
| 2023-2027 | 30,051,000 |
| 2028-2032 | 33,682,000 |
| 2033-2037 | 37,783,000 |
| 2038-2042 | 42,406,000 |
| 2043-2047 | 45,250,000 |
| 2048-2052 | 50,261,000 |
| 2053-2057 | 56,582,000 |
| 2058-2062 | 63,781,000 |
| 2063-2067 | 72,011,000 |
| Thereafter | <u>1,081,940,000</u> |
| | <u>\$1,539,237,000</u> |

NOTE 7 – PENSION PLAN

BBP contributes to the Brooklyn Bridge Park Pension Plan (the “Plan”), a defined contribution plan which covers substantially all of BBP’s employees. Employees will become eligible for the Plan upon the completion of two years of service with BBP. The Plan is administered by BBP and BBP may choose to amend and/or terminate the Plan at any time.

The Plan provides for variable contribution rates by BBP ranging from 6% to 14% of the employee’s eligible wages as defined in the plan document. Employee contributions to the Plan are not permitted. Employees become vested after the completion of two years of service with BBP and non-vested employer contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the Plan’s administrative expenses. There were no forfeitures for the years ended June 30, 2017 and 2016, respectively.

Pension expense included in personnel costs in the accompanying statement of revenues, expenses and changes in net position for the years ended June 30, 2017 and 2016 amounted to \$176,520 and \$165,530 respectively.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

BBP’s employees were eligible to participate in the New York City Economic Development Corporation’s (“EDC”) retiree health care plan. As of July 29, 2010, BBP became an independent entity responsible for producing its own financial reports and submitting them with those of EDC. As such, a separate independent valuation is required to be completed for BBP.

The plan is a single employer defined benefit health care plan that provides postemployment medical for eligible retirees and their spouses. Employees who attain age 60 or older and have 10 years or more of service prior to the plan close date of June 30, 2022 will be eligible for retiree medical benefits. Future retirees are not entitled

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NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

to OPEB. Benefit provisions and contribution requirements for the plan are established and amended through BBP's Board of Directors and there is no statutory requirement for BBP to continue this plan for future employees of BBP. 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 BBP employee pays, based on his or her family status. Employer contributions are made on a pay-as-you-go basis.

At June 30, 2016, there was only one employee of BBP who met the required benefit eligibility of age 60 with at least 10 years of services as of June 30, 2022. Such employee has left BBP effective November 2016. No OPEB liability was estimated as of June 30, 2017. This accounts for the decrease in BBP's 2017 OPEB liability (as shown below). There were no retirees of BBP receiving benefits from the plan as of June 30, 2017 or 2016.

BBP'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. BBP has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers with plans that have fewer than 100 total members. The most recent actuarial valuation was for the plan year ended June 30, 2013.

BBP's annual OPEB cost for the years ended June 30, 2017 and 2016 and the related information for the plan are as follows:

| | <u>2017</u> | <u>2016</u> |
|---|---------------|------------------|
| Annual required contribution ("ARC") | \$ - | \$ 22,423 |
| ARC adjustment and interest | (85,116) | (405) |
| Increase in net OPEB obligation | (85,116) | 22,018 |
| Net OPEB obligation – beginning of period | <u>85,116</u> | <u>63,098</u> |
| Net OPEB obligation – end of period | - | 85,116 |
| Funded OPEB plan assets – end of period | <u>-</u> | <u>-</u> |
| Unfunded actuarial accrued liability ("UAAL") – end of period | <u>\$ -</u> | <u>\$ 85,116</u> |

As of June 30, 2017 and 2016, the actuarial accrued liability for benefits was \$0 and \$85,116, respectively, 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. The schedule of funding progress as of June 30, 2017 and 2016 is as follows:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|-------------|-------------|
| Unfunded Actuarial Accrued Liability | \$ - | \$ 85,116 |
| Funded Ratio | 0% | 0% |
| Covered Payroll | \$ - | \$ 190,550 |
| UAAL as a % of Covered Payroll | 0% | 45% |

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 BBP 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.

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NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the June 30, 2013 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 9% for non-Medicare and 7% for Medicare, grading down to an ultimate rate of 4.5%.

NOTE 9 – CONCENTRATION OF CREDIT RISK

As of June 30, 2017, the bank balance of BBP's deposits was \$54,771,619, of which \$750,000 was covered by Federal Deposit Insurance Corporation ("FDIC") insurance and the rest was uninsured. As of June 30, 2016, the bank balance of BBP's deposit was \$46,104,330, of which \$750,000 was covered by 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. Custodial credit risk is the risk that in the event of bank failure, BBP's deposits may not be returned to it or BBP will not be able to recover collateral securities that are in the name of an outside party.

BBP has entered into a custodial agreement (the "Agreement") with JP Morgan Chase Bank, N.A. (the "Bank") in which the Bank will deliver to a custodian for deposit the amount of any uninsured deposits of BBP multiplied by a margin factor of 102%. The custodian will hold any eligible securities pledged by the Bank as collateral for the benefit of BBP pursuant to the Agreement. All securities held by the custodian as collateral are registered and are held in BBP's name. As of June 30, 2017 and 2016, the collateral held by the Bank for the benefit of BBP amounted to \$55,570,741 and \$45,862,878 respectively, which consisted of U.S. Treasury securities.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. *Contingencies for Future Audits by Governmental and Other Funding Sources*

Pursuant to BBP's contractual relationships with certain governmental and other funding sources, such funding sources have the right to examine the books and records of BBP involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

B. *Litigation*

In June 2015, a neighborhood group filed a lawsuit in Kings County Supreme Court (the "Court") against BBP seeking a declaratory judgment that development being constructed on Pier 1 exceeds height limitations. The Court dismissed the complaint in September 2015. The petitioners filed an appeal and the matter has been fully briefed. BBP intends to continue to vigorously defend the litigation.

In June 2016, a neighborhood group filed a lawsuit in the New York Supreme Court against BBP challenging a planned development project on Pier 6. The matter has been fully briefed and BBP intends to continue to vigorously defend the litigation.

BBP is involved in several personal injury actions for which management expects BBP to be fully indemnified. Accordingly, these matters are not expected to have a material adverse effect on BBP's financial condition.

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NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

C. *Park Security Agreement with the New York City Department of Parks and Recreation*

BBP has entered into an agreement with New York City Department of Parks and Recreation (“DPR”) for DPR to provide security and enforcement of all applicable laws, rules and regulations in and around the public areas of the Park. The original agreement was through February 28, 2011 and was subsequently renewed through June 30, 2016. There is an option in the agreement to renew for up to four one year periods up to June 30, 2020. Total costs for security expenses amounted to \$1,135,161 and \$880,809 for the years ended June 30, 2017 and 2016, respectively. The agreement is in the process of being renewed up to June 30, 2018.