

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, 2019 and 2018

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, 2019 AND 2018

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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, 2019 and 2018, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019 and 2018, and the respective changes in its financial position and cash flows 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 26, 2019

**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, 2019 AND 2018 (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, 2019 and 2018.

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 statements of net position, the statements of revenues, expenses and changes in net position, the statements 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, 8 of whom are nominated by 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.

FINANCIAL HIGHLIGHTS:

Pursuant to its funding between The City and the New York City Department of Parks and Recreation ("DPR"), during the year ended June 30, 2019, BBP spent \$5,399,753 on eligible capital project costs. Since June 30, 2011, BBP processed the eighth through sixteenth funding agreements. These agreements revised the total amounts from \$132,111,000 to \$285,084,000, respectively.

During the year ended June 30, 2018, BBP received \$14,620,414 in capital funds from The City pursuant to its funding agreement between The City and the DPR. During the year ended June 30, 2018, BBP spent \$14,228,788 on eligible project costs.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018 (UNAUDITED)**

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

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

	2019	2018	2017	Variance (%)	
				2019 vs 2018	2018 vs 2017
OPERATING REVENUES:					
Permits and fees	\$ 1,664,303	\$ 1,891,644	\$ 1,861,575	-12%	2%
PILOT payments and ground lease rents	<u>86,622,919</u>	<u>55,600,237</u>	<u>35,566,497</u>	56%	56%
Total operating revenues	<u>88,287,222</u>	<u>57,491,881</u>	<u>37,428,072</u>	54%	54%
OPERATING EXPENSES:					
Personnel costs	5,574,684	5,037,011	4,402,930	11%	14%
Utilities, repairs and maintenance and security	4,715,627	5,729,564	4,453,946	-18%	29%
Professional fees	1,985,042	2,540,798	1,816,367	-22%	40%
Depreciation and amortization	13,123,280	16,562,256	7,165,165	-21%	131%
General and administrative expenses	1,152,651	1,254,019	886,768	-8%	41%
Other	-	-	(85,116)	0%	-100%
Total operating expenses	<u>26,551,284</u>	<u>31,123,648</u>	<u>18,640,060</u>	-15%	67%
Operating income (loss)	<u>61,735,938</u>	<u>26,368,233</u>	<u>18,788,012</u>	134%	40%
NONOPERATING REVENUES:					
Capital and other contributions	5,399,753	14,228,788	20,624,577	-62%	-31%
Interest and other income	<u>1,435,436</u>	<u>106,516</u>	<u>107,745</u>	1248%	-1%
Total nonoperating revenues	<u>6,835,189</u>	<u>14,335,304</u>	<u>20,732,322</u>	-52%	-31%
Change in net position	68,571,127	40,703,537	39,520,334	68%	3%
Net position - beginning of year	<u>327,276,863</u>	<u>286,573,326</u>	<u>247,052,992</u>	14%	16%
Net position - end of year	<u>\$395,847,990</u>	<u>\$327,276,863</u>	<u>\$286,573,326</u>	21%	14%

OPERATING REVENUES:

FY2019 VS FY2018

The operating revenues for the year ended June 30, 2019 increased by \$30,795,341 from \$57,491,881 to \$88,287,222 primarily due to the lump sum ground payments totaling of \$78,500,000 from the Pier 6 Development Site pursuant to the lease agreements with the developers of the Pier 6 and Empire Stores development sites.

FY2018 vs FY2017

The operating revenues for the year ended June 30, 2018 increased by \$20,063,809 from \$37,428,072 to \$57,491,881, primarily due to the one-time lump sum rent payment of \$25,500,000 from the Pier 6 Development Site and Payment in Lieu of Mortgage Recording Tax (PILOMRT) payments totaling \$10,639,323 pursuant to the lease agreements with the developers of the Pier 6 and Empire Stores development sites. The year-to-year variance is also attributable to participation rent and sales transfer fees totaling \$15,358,307 received in the prior year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018 (UNAUDITED)**

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

OPERATING EXPENSES:

FY2019 vs. FY2018

BBP's operating expenses decreased from the year ended June 30, 2018 by \$4,572,364 from \$31,123,648 to \$26,551,284. The depreciation expense decreased from \$16,562,256 to \$13,123,280. Professional fees decreased from \$2,540,798 to \$1,985,042 primarily due to lower legal expenses than the prior year. Offsetting the decreases were increases in security and personnel costs attributed to park growth, usage, and the additional staff required to maintain the Park and the administrative functions.

FY2018 vs. FY2017

BBP's operating expenses increased from the year ended June 30, 2017 by \$12,483,588 from \$18,640,060 to \$31,123,648. The depreciation expense increased from \$7,165,165 to \$16,562,256. The increase in depreciation is related to improvements on existing park assets and new assets placed into service in FY2018 which includes the completion of the Pier 5 uplands, maintenance & operations building, boathouse and maritime maintenance work on various piers. 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:

FY2019 vs. FY2018

BBP's nonoperating revenues decreased from the year ended June 30, 2018 by \$7,500,115 from \$14,335,304 to \$6,835,189. BBP recognizes capital funding as revenue when eligible projects costs are incurred. Therefore, the decrease in capital contributions correlates to a corresponding decrease in capital projects in the current year (see Note 5). BBP did not have any non-operating expenses in the current year.

FY2018 vs. FY2017

BBP's nonoperating revenues decreased from the year ended June 30, 2017 by \$6,397,018 from \$20,732,322 to \$14,335,304. BBP recognizes capital funding as revenue when eligible projects costs are incurred. Therefore, the decrease in capital contributions correlates to a corresponding decrease in capital projects in the current year (see Note 5). BBP did not have any non-operating expenses in the current year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018 (UNAUDITED)**

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

The following summarizes BBP's assets, liabilities and net position as of June 30, 2019, 2018 and 2017:

	2019	2018	2017	Variance (\$)	
				2019 vs 2018	2018 vs 2017
ASSETS:					
Unrestricted cash and cash equivalents	\$ 99,000,698	\$ 15,687,307	\$ 25,657,660	\$ 83,313,391	\$ (9,970,353)
Restricted cash and cash equivalents	30,368,758	45,578,366	29,815,636	(15,209,608)	15,762,730
Accounts receivable, net	967,664	6,655,254	15,394,254	(5,687,590)	(8,739,000)
Short-term investments	-	-	1,249,791	-	(1,249,791)
Long-term investments	51,460,354	50,136,718	23,562,387	1,323,636	26,574,331
Prepaid expenses	103,966	46,997	38,231	56,969	8,766
Capital assets, net	<u>230,517,845</u>	<u>232,760,970</u>	<u>229,556,509</u>	<u>(2,243,125)</u>	<u>3,204,461</u>
Total Assets	<u>\$ 412,419,285</u>	<u>\$ 350,865,612</u>	<u>\$ 325,274,468</u>	<u>\$ 61,553,673</u>	<u>\$ 25,591,144</u>
LIABILITIES:					
Accounts payable and accrued expenses	\$ 4,974,232	\$ 7,413,993	\$ 11,497,670	\$ (2,439,761)	\$ (4,083,677)
Security deposits	3,619,745	3,497,286	3,397,618	122,459	99,668
Unearned revenue	<u>7,977,318</u>	<u>12,677,470</u>	<u>23,805,854</u>	<u>(4,700,152)</u>	<u>(11,128,384)</u>
Total Liabilities	<u>16,571,295</u>	<u>23,588,749</u>	<u>38,701,142</u>	<u>(7,017,454)</u>	<u>(15,112,393)</u>
NET POSITION:					
Invested in capital assets	227,999,977	228,950,057	229,556,509	(950,080)	(606,452)
Restricted for capital projects	18,836,331	26,568,363	8,389,696	(7,732,032)	18,178,667
Unrestricted	<u>149,011,682</u>	<u>71,758,443</u>	<u>48,627,121</u>	<u>77,253,239</u>	<u>23,131,322</u>
Total Net Position	<u>395,847,990</u>	<u>327,276,863</u>	<u>286,573,326</u>	<u>68,571,127</u>	<u>40,703,537</u>
Total Liabilities and Net Position	<u>\$ 412,419,285</u>	<u>\$ 350,865,612</u>	<u>\$ 325,274,468</u>	<u>\$ 61,553,673</u>	<u>\$ 25,591,144</u>

FY2019 vs. FY2018

At June 30, 2019, BBP maintained total assets of \$412,419,285 which was \$61,553,673 higher than total assets of \$350,865,612 as of June 30, 2018.

BBP's current assets as of fiscal year ended June 30, 2018 were \$67,967,924 and such amounts increased by \$62,473,162 to \$130,441,086. Bank deposits consisting of unrestricted and restricted cash and cash equivalents increased by \$68,103,783 to \$129,369,456 as compared to bank deposits of \$61,265,673 held at June 30, 2018. BBP receives operating cash from permits, concessions, and leases. Funding from the 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, 2018 were \$282,897,688 and such amounts decreased by \$919,489 to \$281,978,199 (representing 68% of total assets) as of June 30, 2019. Such amounts consist of capital assets and include site improvements of \$222,503,370 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 \$43,849,571, include the Maintenance and Operations facility, Boathouse, Pier 6 Warming Hut, Squibb Park and Bridge, Jane's Carousel and the educational facility at 99 Plymouth Street. A remaining amount of \$19,837,706 was for construction in progress, costs that are primarily incurred in developing the park for projects such as Pier 3, Pier 2 uplands and pile repair.

**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, 2019 AND 2018 (UNAUDITED)**

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

At June 30, 2019, BBP maintained long term investments valued at \$51,460,354 in accordance with BBP's investment policy. (See Note 3)

The decrease in liabilities of \$7,017,454 from June 30, 2018 to June 30, 2019 is primarily due to decreases in accounts payable and unearned revenue due to recognizing revenue for the capital funding spent on BBP construction projects.

Net position as of June 30, 2019 was \$395,847,990 of which \$227,999,977 was invested in capital assets and \$18,836,331 was restricted. The overall increase of 21% or \$68,571,127 over net position at June 30, 2018 represents ongoing construction and improvements throughout the park.

FY2018 vs. FY2017

At June 30, 2018, BBP maintained total assets of \$350,865,612 which was \$25,591,144 higher than total assets of \$325,274,468 as of June 30, 2017.

BBP's current assets as of fiscal year ended June 30, 2017 were \$72,155,572 and such amounts decreased by \$4,187,648 to \$67,967,924. Bank deposits consisting of unrestricted and restricted cash and cash equivalents increased by \$5,792,377 to \$61,265,673 as compared to bank deposits of \$55,473,296 held at June 30, 2017. BBP receives operating cash from permits, concessions, and leases. Funding from the 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, 2017 were \$253,118,896 and such amounts increased by \$29,778,792 to \$282,897,688 (representing 81% of total assets) as of June 30, 2018. Such amounts consist of capital assets and include site improvements of \$172,284,593 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 \$43,849,571 includes the Maintenance and Operations facility, Boathouse, Pier 6 Warming Hut, Squibb Park and Bridge, Jane's Carousel and the educational facility at 99 Plymouth Street. A remaining amount of \$59,236,691 was for construction in progress, costs that are primarily incurred in developing the park for projects such as Pier 3, Pier 2 uplands and pile repair.

At June 30, 2018, BBP maintained long term investments valued at \$50,136,718 in accordance with BBP's investment policy. (See Note 3)

The decrease in liabilities of \$15,112,393 from June 30, 2017 to June 30, 2018 is primarily due to decreases in accounts payable and unearned revenue due to recognizing revenue for the capital funding spent on BBP construction projects.

Net position as of June 30, 2018 was \$327,276,863 of which \$228,950,057 was invested in capital assets and \$26,568,363 was restricted. The overall increase of 14% or \$40,703,537 over net position at June 30, 2017 represents ongoing construction and improvements throughout the park.

****END****

BROOKLYN BRIDGE PARK CORPORATION
(D/B/A BROOKLYN BRIDGE PARK)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Unrestricted cash and cash equivalents (Notes 2E and 8)	\$ 99,000,698	\$ 15,687,307
Restricted cash and cash equivalents (Notes 2F and 8)	30,368,758	45,578,366
Accounts receivable, net (Note 2D)	967,664	6,655,254
Prepaid expenses	103,966	46,997
Total current assets	130,441,086	67,967,924
Noncurrent assets:		
Long-term investments (Notes 2G and 3)	51,460,354	50,136,718
Capital assets, net of accumulated depreciation (Notes 2H and 4)	230,517,845	232,760,970
Total noncurrent assets	281,978,199	282,897,688
TOTAL ASSETS	\$ 412,419,285	\$ 350,865,612
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 4)	\$ 4,974,232	\$ 7,413,993
Security deposits	708,140	708,140
Unearned revenue (Notes 2C, 2D and 5)	7,977,318	12,677,470
Total current liabilities	13,659,690	20,799,603
Noncurrent liabilities:		
Security deposits	2,911,605	2,789,146
Total noncurrent liabilities	2,911,605	2,789,146
TOTAL LIABILITIES	16,571,295	23,588,749
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET POSITION (Note 2I)		
Invested in capital assets	227,999,977	228,950,057
Restricted for capital projects (Note 2F)	18,836,331	26,568,363
Unrestricted	149,011,682	71,758,443
TOTAL NET POSITION	395,847,990	327,276,863
TOTAL LIABILITIES AND NET POSITION	\$ 412,419,285	\$ 350,865,612

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

BROOKLYN BRIDGE PARK CORPORATION
(D/B/A BROOKLYN BRIDGE PARK)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Permits and other fees	\$ 1,664,303	\$ 1,891,644
Payments in lieu of all taxes and ground lease rent (Notes 2D and 6)	<u>86,622,919</u>	<u>55,600,237</u>
Total operating revenues (Note 2B)	<u>88,287,222</u>	<u>57,491,881</u>
OPERATING EXPENSES:		
Personnel costs (Note 7)	5,574,684	5,037,011
Utilities	338,379	367,779
Professional fees	1,985,042	2,540,798
Repairs and maintenance	2,787,766	3,801,988
Security (Note 9C)	1,589,482	1,559,797
Depreciation and amortization	13,123,280	16,562,256
Other general, administrative and project expenses	<u>1,152,651</u>	<u>1,254,019</u>
Total operating expenses (Note 2B)	<u>26,551,284</u>	<u>31,123,648</u>
Operating income	<u>61,735,938</u>	<u>26,368,233</u>
NONOPERATING REVENUES:		
Capital and other contributions (Note 5A)	5,399,753	14,228,788
Investment income	1,374,095	87,309
Other interest income	<u>61,341</u>	<u>19,207</u>
Total nonoperating revenues	<u>6,835,189</u>	<u>14,335,304</u>
CHANGE IN NET POSITION	68,571,127	40,703,537
Net position, beginning of year	<u>327,276,863</u>	<u>286,573,326</u>
NET POSITION, END OF YEAR	<u>\$ 395,847,990</u>	<u>\$ 327,276,863</u>

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

BROOKLYN BRIDGE PARK CORPORATION
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(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from:		
Customer payments	\$ 2,057,560	\$ 16,668,243
Tenant payments	92,616,853	38,112,628
Total cash receipts from operating activities	94,674,413	54,780,871
Cash payments for:		
Personnel costs	(5,516,462)	(5,045,600)
Services and supplies	(7,630,848)	(9,820,698)
Total cash payments for operating activities	(13,147,310)	(14,866,298)
Net Cash Provided by Operating Activities	81,527,103	39,914,573
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments from lessees - security deposits	122,459	99,668
Net Cash Provided by Noncapital Financing Activities	122,459	99,668
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital and other contributions received	-	14,550,414
Capital asset expenditures	(13,657,579)	(23,554,254)
Net Cash Used in Capital and Related Financing Activities	(13,657,579)	(9,003,840)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(26,249,992)	(32,092,790)
Securities matured	25,410,000	6,500,000
Interest received	951,792	374,766
Net Cash Provided by (Used in) Investing Activities	111,800	(25,218,024)
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,103,783	5,792,377
Cash and cash equivalents - beginning of year	61,265,673	55,473,296
CASH AND CASH EQUIVALENTS—END OF YEAR	\$ 129,369,456	\$ 61,265,673
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income	\$ 61,735,938	\$ 26,368,233
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	13,123,280	16,562,256
Changes in operating assets and liabilities:		
Accounts receivable	5,687,590	8,739,000
Prepaid expenses	(56,969)	(8,766)
Accounts payable and accrued expenses	337,663	(296,140)
Unearned revenue	699,601	(11,450,010)
Net Cash Provided by Operating Activities	\$ 81,527,103	\$ 39,914,573
RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:		
Unrestricted cash and cash equivalents	\$ 99,000,698	\$ 15,687,307
Restricted cash and cash equivalents	30,368,758	45,578,366
CASH AND CASH EQUIVALENTS—END OF YEAR	\$ 129,369,456	\$ 61,265,673
Supplemental Disclosure of Cash Flow Information:		
Noncash capital and related financing transactions:		
Accrued capital asset expenditures	\$ 3,555,109	\$ 6,332,533

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

**BROOKLYN BRIDGE PARK CORPORATION
(D/B/A BROOKLYN BRIDGE PARK)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 statements 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 statements 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, 2019 and 2018, BBP determined that no allowance was necessary for these receivables.

E. *Cash Equivalents*

For the purposes of the statements 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
Furniture and fixtures	3 to 5 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 for capital projects, 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. *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.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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, but was adopted in the current fiscal year. The adoption of GASB 83 did not have an impact on BBP’s financial statements as it has no such obligations.
- 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, 2017. 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 are acquired with only existing resources – resources other than the proceeds of refunding debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The requirements of GASB 86 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB 86 did not have an impact on BBP’s financial statements.
- In June 2017, GASB issued Statement No. 87, *Leases*, (“GASB 87”). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. BBP has not completed the process of evaluating GASB 87.
- In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, (“GASB 88”). The objective of GASB 88 is to improve consistency in the information that is disclosed in notes to government financial statements related to debt by defining debt for the purpose of note disclosure and establishes additional note disclosure requirements related to debt obligations of governments, including direct borrowing and direct placements. The requirements of GASB 88 are effective for fiscal years beginning after June 15, 2018. BBP has not completed the process of evaluating GASB 88, 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 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, (“GASB 89”). The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for certain interest costs by requiring interest costs incurred before the end of a construction period to be recognized as an expense/expenditure in governmental fund and government-wide financial statements. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2019. GASB 89 is not expected to have an impact on BBPs financial statements.
- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendments of GASB Statements No. 14 and No. 61*, (“GASB 90”). The objectives of GASB 90 are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB 90 is not expected to have an impact on BBPs financial statements.
- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. Conduit debt obligations are debt instruments issued by state and local governments to provide financing for a third party, which is primarily liable for repaying the debt instrument. GASB 91 updates Interpretation No. 2, “Disclosure of Conduit Debt Obligations,” which allowed for variations with the option for government issuers to either recognize conduit debt obligations as their own debt or to disclose them. GASB 91 addresses variation in practice by clarifying exactly what a conduit debt obligation is and eliminating the option for government issuers to recognize conduit debt obligations, thereby providing a single method of reporting. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2020. GASB 91 is not expected to have an impact on BBP’s financial statements.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

BBP’s investments consisted of the following at June 30:

	2019	2018
Certificates of Deposit	\$ -	\$ 747,812
U.S. Government bonds	<u>51,460,354</u>	<u>49,388,906</u>
	<u>\$ 51,460,354</u>	<u>\$ 50,136,718</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.

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NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.

BBP has the following recurring fair value measurements as of June 30, 2019 and 2018:

- Certificates of Deposit are carried at cost which approximate fair value (Level 1 inputs).
- U.S. Government bonds of \$51,460,354 and \$49,388,906 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, 2019 and 2018 are obligations of, or guaranteed by, the United States of America and certificates of deposit 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, 2019 and 2018, 100% and 98%, respectively, of BBP's investments are in eligible government obligations and 0% and 2%, respectively, are Certificates of Deposits with New York Banks.

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NOTE 4 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2019 were as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reclassifications /Dispositions</u>	<u>June 30, 2019</u>
Site improvements	\$ 172,284,593	\$ 50,218,778	\$ -	\$ 222,503,371
Building, improvements and carousel	43,849,571	-	(15,829)	43,833,742
Furniture and fixtures	456,850	-	-	456,850
Vehicles and equipment	<u>1,310,513</u>	<u>76,191</u>	<u>-</u>	<u>1,386,704</u>
Total project assets	<u>217,901,527</u>	<u>50,294,969</u>	<u>(15,829)</u>	<u>268,180,667</u>
Less: accumulated depreciation				
Site improvements	(41,074,896)	(12,434,969)	-	(53,509,865)
Building improvements and carousel	(2,012,293)	(438,710)	-	(2,451,003)
Furniture and fixtures	(297,637)	(95,458)	-	(393,095)
Vehicles and equipment	<u>(992,422)</u>	<u>(154,143)</u>	<u>-</u>	<u>(1,146,565)</u>
Total accumulated depreciation	<u>(44,377,248)</u>	<u>(13,123,280)</u>	<u>-</u>	<u>(57,500,528)</u>
Construction in progress	<u>59,236,691</u>	<u>12,486,488</u>	<u>(51,885,473)</u>	<u>19,837,706</u>
Net project assets	<u>\$ 232,760,970</u>	<u>\$ 49,658,176</u>	<u>\$ (51,901,302)</u>	<u>\$ 230,517,845</u>

The changes in capital assets for the year June 30, 2018 were as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reclassifications /Dispositions</u>	<u>June 30, 2018</u>
Site improvements	\$ 113,276,437	\$ 59,008,156	\$ -	\$ 172,284,593
Building, improvements and carousel	32,133,842	11,715,729	-	43,849,571
Furniture and fixtures	383,085	73,765	-	456,850
Vehicles and equipment	<u>1,177,479</u>	<u>133,034</u>	<u>-</u>	<u>1,310,513</u>
Total project assets	<u>146,970,843</u>	<u>70,930,684</u>	<u>-</u>	<u>217,901,527</u>
Less: accumulated depreciation				
Site improvements	(25,236,498)	(15,838,398)	-	(41,074,896)
Building improvements and carousel	(1,563,091)	(449,202)	-	(2,012,293)
Furniture and fixtures	(205,316)	(92,321)	-	(297,637)
Vehicles and equipment	<u>(810,087)</u>	<u>(182,335)</u>	<u>-</u>	<u>(992,422)</u>
Total accumulated depreciation	<u>(27,814,992)</u>	<u>(16,562,256)</u>	<u>-</u>	<u>(44,377,248)</u>
Construction in progress	<u>110,400,658</u>	<u>23,425,698</u>	<u>(74,589,665)</u>	<u>59,236,691</u>
Net project assets	<u>\$ 229,556,509</u>	<u>\$ 77,794,126</u>	<u>\$ (74,589,665)</u>	<u>\$ 232,760,970</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 \$3,555,109 and \$6,332,533 were accrued as of June 30, 2019 and 2018, 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, 2019 and 2018, BBP received capital funding for projects totaling \$ - and \$14,620,414, respectively. During the years ended June 30, 2019 and 2018, BBP spent \$5,399,753 and \$14,228,788 respectively, on eligible project costs. BBP recognized the amount spent for eligible project costs as capital contributions in the accompanying statements of revenues, expenses and changes in net position while the unspent funds are included in unearned revenue in the accompanying statements of net position. The estimated dates of completion for projects range from Summer 2020 through Summer 2023.

Included in capital and other contributions in the accompanying statements of revenue, expenses and changes in net position are revenues derived from capital contracts with The City, which amounted to \$5,399,753 and \$14,228,788 for the years ended June 30, 2019 and 2018, respectively. Such amounts represented approximately 6% and 20%, 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 which it was removed 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 2107. 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 of June 30, 2017 as they were refundable pending on a litigation against the construction as described in Note 9B. During the year ended June 30, 2018, the lawsuit was dismissed and the two initial lease payments were deemed fully earned and are non-refundable under any circumstances. In addition, the ground lease provided for second lease payments of \$91,500,000, of which \$13,000,000 was paid to BBP in April 2018 and the remainder of \$78,500,000 was paid during the year ended June 30, 2019. The second lease payments were deemed fully earned and are non-refundable under any circumstances. BBP reflected such payments received as ground lease revenue during the year ended June 30, 2019 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.

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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, 2020 through 2024, each five-year period from fiscal years ending from June 30, 2025 through 2069 and through the end of the lease terms (thereafter), are approximately as follows:

2020	\$	5,322,000
2021		5,475,000
2022		5,641,000
2023		5,062,000
2024		5,062,000
2025-2029		31,451,000
2030-2034		35,262,000
2035-2039		39,569,000
2040-2044		43,833,000
2045-2049		46,838,000
2050-2054		52,693,000
2055-2059		59,346,000
2060-2064		66,953,000
2065-2069		75,856,000
Thereafter		<u>1,050,603,000</u>
		<u>\$1,528,966,000</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, 2019 and 2018, respectively.

Pension expense included in personnel costs in the accompanying statements of revenues, expenses and changes in net position for the years ended June 30, 2019 and 2018 amounted to \$263,772 and \$232,106 respectively.

NOTE 8 – CONCENTRATION OF CREDIT RISK

As of June 30, 2019, the bank balance of BBP's deposits was \$129,369,456, of which \$750,000 was covered by Federal Deposit Insurance Corporation ("FDIC") insurance and the rest was uninsured. As of June 30, 2018, the bank balance of BBP's deposit was \$61,353,793, of which \$750,000 was covered by FDIC insurance and the remainder was partly collateralized and partly uninsured as described in the following paragraph. 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.

**BROOKLYN BRIDGE PARK CORPORATION
(D/B/A BROOKLYN BRIDGE PARK)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 8 – CONCENTRATION OF CREDIT RISK (Continued)

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, 2019 and 2018, the collateral held by the Bank for the benefit of BBP amounted to \$130,857,912 and \$61,545,323 respectively, which consisted of U.S. Treasury securities.

NOTE 9 – 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*

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.

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 \$1,589,482 and \$1,559,797 for the years ended June 30, 2019 and 2018, respectively. The agreement is in the process of being renewed up to June 30, 2020.