# 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, 2021 and 2020

MARKS PANETH
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, 2021 AND 2020**

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MARKS PANETH
ACCOUNTANTS & ADVISORS

# 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, 2021 and 2020, 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, 2021 and 2020, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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, 2021

## 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, 2021 and 2020.

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, eight 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.

### FISCAL YEAR 2021 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, 2021, BBP spent $4,281,494 on eligible project costs. Since June 30, 2011, BBP processed the eighth through twentieth funding agreements. These agreements revised the total amounts from $132,111,000 to $291,595,000, respectively. During the year ended June 30, 2020, BBP spent $6,963,618 on eligible project costs.

## FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

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

| | | | | Variance (%) | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2021 vs 2020 | 2020 vs 2019 |
| **OPERATING REVENUES:** | | | | | |
| Permits and fees | $ 902,493 | $ 1,594,305 | $ 1,664,303 | -43% | -4% |
| PILOT payments and ground lease rents | 19,870,840 | 19,852,551 | 86,622,919 | 0% | -77% |
| Total operating revenues | 20,773,333 | 21,446,856 | 88,287,222 | -3% | -76% |
| **OPERATING EXPENSES:** | | | | | |
| Personnel costs | 6,591,205 | 6,387,787 | 5,574,684 | 3% | 15% |
| Utilities, repairs and maintenance and security | 6,814,934 | 5,097,321 | 4,715,627 | 34% | 8% |
| Professional fees | 1,212,741 | 1,380,236 | 1,985,042 | -12% | -30% |
| Depreciation and amortization | 15,887,012 | 14,228,750 | 13,123,280 | 12% | 8% |
| General and administrative expenses | 1,372,533 | 1,899,534 | 1,152,651 | -28% | 65% |
| Total operating expenses | 31,878,425 | 28,993,628 | 26,551,284 | 10% | 9% |
| Operating income (loss) | (11,105,092) | (7,546,772) | 61,735,938 | 47% | -112% |
| **NONOPERATING REVENUES:** | | | | | |
| Capital and other contributions | 4,281,494 | 6,963,618 | 5,399,753 | -39% | 29% |
| Interest and other income | 75,404 | 1,111,074 | 1,435,436 | -93% | -23% |
| Total nonoperating revenues | 4,356,898 | 8,074,692 | 6,835,189 | -46% | 18% |
| **NONOPERATING EXPENSES:** | | | | | |
| Loss on disposal of capital assets | - | (5,368,284) | - | 100% | 0% |
| Change in net position | (6,748,194) | (4,840,364) | 68,571,127 | 39% | -107% |
| Net position - beginning of year | 391,007,626 | 395,847,990 | 327,276,863 | -1% | 21% |
| Net position - end of year | $ 384,259,432 | $ 391,007,626 | $ 395,847,990 | -2% | -1% |

## OPERATING REVENUES:

**FY2021 VS FY2020**

The operating revenues for the year ended June 30, 2021 decreased by $673,523 from $21,446,856 to $20,773,333. This decrease is primarily attributable to lower permit and concession revenues as a result of the COVID-19 pandemic and the safety protocols put in place for BBP's concessions and park patrons. The decreases in operating revenue were partially offset by increases in payments in lieu of taxes ("PILOT").

**FY2020 VS FY2019**

The operating revenues for the year ended June 30, 2020 decreased by $66,840,366 from $88,287,222 to $21,446,856 primarily due to the lump sum ground payments totaling $78,500,000 received from the Pier 6 Development Site in the prior year. The decreases in operating revenue were partially offset by increases in PILOT, permits fees, and sales transfer fees.

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)**

**OPERATING EXPENSES:**

**FY2021 vs. FY2020**
BBP's operating expenses increased from the year ended June 30, 2020 by $2,884,797 from $28,993,628 to $31,878,425. Depreciation and amortization expense increased from $14,228,750 to $15,887,012 due to improvements on existing park assets and marine infrastructure, as well as new park assets placed in service including the Pier 2 Uplands. The increase in repairs and maintenance is primarily attributable to BBP's capital and maritime maintenance programs.

**FY2020 vs. FY2019**
BBP's operating expenses increased from the year ended June 30, 2019 by $2,442,344 from $26,551,284 to $28,993,628. Depreciation and amortization expense increased from $13,123,280 to $14,228,750 due to improvements on existing park assets and marine infrastructure as well as new park assets placed in service including the new Squibb Bridge. 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:**

***FY2021 vs. FY2020***
BBP's nonoperating revenues decreased from the year ended June 30, 2020 by $3,717,794 from $8,074,692 to $4,356,898. BBP recognizes capital funding as revenue when eligible project costs are incurred. Therefore, the decrease in capital contributions correlates to a corresponding decrease in capital projects in the current year (see Note 5).

**FY2020 vs. FY2019**
BBP's nonoperating revenues increased from the year ended June 30, 2019 by $1,239,503 from $6,835,189 to $8,074,692. BBP recognizes capital funding as revenue when eligible projects costs are incurred. Therefore, the increase in capital contributions correlates to a corresponding decrease in capital projects in the current year (see Note 5).

**NONOPERATING EXPENSES:**

**FY2021 vs 2020**
BBP did not have any non-operating expenses in the current year.

**FY2020 vs. FY2019**
In October 2019, BBP demolished the original Squibb Bridge resulting in a $5,368,284 loss on disposal of capital assets.

## FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

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

| | | | | Variance ($) | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2021 vs 2020 | 2020 vs 2019 |
| **ASSETS:** | | | | | |
| Unrestricted cash and cash equivalents | $ 33,882,116 | $ 33,962,504 | $ 99,000,698 | $ (80,388) | $ (65,038,194) |
| Restricted cash and cash equivalents | 63,765,201 | 76,207,026 | 30,368,758 | (12,441,825) | 45,838,268 |
| Accounts receivable, net | 464,299 | 526,578 | 967,664 | (62,279) | (441,086) |
| Long-term investments | 27,638,074 | 52,512,074 | 51,460,354 | (24,874,000) | 1,051,720 |
| Prepaid expenses | 121,096 | 70,535 | 103,966 | 50,561 | (33,431) |
| Capital assets, net | 284,657,791 | 246,450,999 | 230,517,845 | 38,206,792 | 15,933,154 |
| Total Assets | $ 410,528,577 | $ 409,729,716 | $ 412,419,285 | $ 798,861 | $ (2,689,569) |
| **LIABILITIES:** | | | | | |
| Accounts payable and accrued expenses | $ 14,712,196 | $ 9,633,240 | $ 4,974,232 | $ 5,078,956 | $ 4,659,008 |
| Security deposits | 7,366,056 | 7,306,784 | 3,619,745 | 59,272 | 3,687,039 |
| Unearned revenue | 4,190,893 | 1,782,066 | 7,977,318 | 2,408,827 | (6,195,252) |
| Total Liabilities | 26,269,145 | 18,722,090 | 16,571,295 | 7,547,055 | 2,150,795 |
| **NET POSITION:** | | | | | |
| Invested in capital assets | 284,657,791 | 246,450,999 | 227,999,977 | 38,206,792 | 18,451,022 |
| Restricted for capital projects | 46,311,635 | 65,962,950 | 18,836,331 | (19,651,315) | 47,126,619 |
| Unrestricted | 53,290,006 | 78,593,677 | 149,011,682 | (25,303,671) | (70,418,005) |
| Total Net Position | 384,259,432 | 391,007,626 | 395,847,990 | (6,748,194) | (4,840,364) |
| Total Liabilities and Net Position | $ 410,528,577 | $ 409,729,716 | $ 412,419,285 | $ 798,861 | $ (2,689,569) |

***FY2021 vs. FY2020***

At June 30, 2021, BBP maintained total assets of $410,528,577 which was $798,861 higher than total assets of $409,729,716 as of June 30, 2020.

BBP's current assets as of the fiscal year ended June 30, 2020 were $110,766,643 and such amounts decreased by $12,533,931 to $98,232,712. Bank deposits, consisting of unrestricted and restricted cash and cash equivalents, decreased by $12,522,213 to $97,647,317 as compared to bank deposits of $110,169,530 held at June 30, 2020. 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 decrease in restricted and unrestricted cash is net of these costs used to build and maintain the Park.

BBP's noncurrent assets as of the fiscal year ended June 30, 2020 were $298,963,073 and such amounts increased by $13,332,792 to $312,295,865 (representing 76% of total assets) as of June 30, 2021. Such amounts consist of capital assets and include site improvements of $251,985,718 for improvements to our maritime infrastructure, Pier

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)**

2 Uplands, Pier 3, 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 $41,786,293 include the new Squibb Bridge, our Maintenance and Operations facility, Boathouse, Pier 6 Warming Hut, Jane's Carousel, and the educational facility at 99 Plymouth Street. A remaining amount of $72,882,813 was for construction in progress.

At June 30, 2021, BBP maintained long-term investments valued at $27,638,074 in accordance with BBP's investment policy. (See Note 3).

The increase in total liabilities of $7,547,055 from June 30, 2020 to June 30, 2021 is primarily due to increases in accounts payable and unearned revenue.

Net position as of June 30, 2021 was $384,259,432 of which $284,657,791 was invested in capital assets and $46,311,635 was restricted.

**<u>FY2020 vs. FY2019</u>**

At June 30, 2020, BBP maintained total assets of $409,729,716 which was $2,689,569 lower than total assets of $412,419,285 as of June 30, 2019.

BBP's current assets as of the fiscal year ended June 30, 2019 were $130,441,086 and such amounts decreased by $19,674,443 to $110,766,643. Bank deposits, consisting of unrestricted and restricted cash and cash equivalents, decreased by $19,199,926 to $110,169,530 as compared to bank deposits of $129,369,456 held at June 30, 2019. 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 decrease 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, 2019 were $281,978,199 and such amounts increased by $16,984,874 to $298,963,073 (representing 73% of total assets) as of June 30, 2020. Such amounts consist of capital assets and include site improvements of $236,375,116 for improvements to our maritime infrastructure, Pier 3, 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 $41,808,880 include the new Squibb Bridge, our Maintenance and Operations facility, Boathouse, Pier 6 Warming Hut, Jane's Carousel, and the educational facility at 99 Plymouth Street. A remaining amount of $34,853,514 was for construction in progress.

At June 30, 2020, BBP maintained long-term investments valued at $52,512,074 in accordance with BBP's investment policy (See Note 3).

The increase in total liabilities of $2,150,795 from June 30, 2019 to June 30, 2020 is primarily due to increases in accounts payable and non-current security deposits.

Net position as of June 30, 2020 was $391,007,626 of which $246,450,999 was invested in capital assets and $65,962,950 was restricted. The decrease of 1% or ($4,840,364) over net position at June 30, 2019 includes ($5,368,284) capital asset disposal of the original Squibb Park bridge.

****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, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Unrestricted cash and cash equivalents (Notes 2E and 8) | $ 33,882,116 | $ 33,962,504 |
| Restricted cash and cash equivalents (Notes 2F and 8) | 63,765,201 | 76,207,026 |
| Accounts receivable (Note 2D) | 464,299 | 526,578 |
| Prepaid expenses | 121,096 | 70,535 |
| **Total current assets** | 98,232,712 | 110,766,643 |
| **Noncurrent assets:** | | |
| Long-term investments (Notes 2G and 3) | 27,638,074 | 52,512,074 |
| Capital assets, net of accumulated depreciation (Notes 2H, 4 and 5B) | 284,657,791 | 246,450,999 |
| **Total noncurrent assets** | 312,295,865 | 298,963,073 |
| **TOTAL ASSETS** | $ 410,528,577 | $ 409,729,716 |
| **LIABILITIES** | | |
| **Current liabilities:** | | |
| Accounts payable and accrued expenses (Note 4) | $ 14,712,196 | $ 9,633,240 |
| Security deposits | 708,140 | 708,140 |
| Unearned revenue (Notes 2C, 2D and 5) | 4,190,893 | 1,782,066 |
| **Total current liabilities** | 19,611,229 | 12,123,446 |
| **Noncurrent liabilities:** | | |
| Security deposits | 6,657,916 | 6,598,644 |
| **Total noncurrent liabilities** | 6,657,916 | 6,598,644 |
| **TOTAL LIABILITIES** | 26,269,145 | 18,722,090 |
| **COMMITMENTS AND CONTINGENCIES** (Note 9) | | |
| **NET POSITION** (Note 2I) | | |
| Invested in capital assets | 284,657,791 | 246,450,999 |
| Restricted for capital projects (Note 2F) | 46,311,635 | 65,962,950 |
| Unrestricted | 53,290,006 | 78,593,677 |
| **TOTAL NET POSITION** | 384,259,432 | 391,007,626 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 410,528,577 | $ 409,729,716 |

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, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Permits and other fees | $ 902,493 | $ 1,594,305 |
| Payments in lieu of all taxes and ground lease rent (Notes 2D and 6) | 19,870,840 | 19,852,551 |
| **Total operating revenues** (Note 2B) | 20,773,333 | 21,446,856 |
| **OPERATING EXPENSES:** | | |
| Personnel costs (Note 7) | 6,591,205 | 6,387,787 |
| Utilities | 383,838 | 436,413 |
| Professional fees | 1,212,741 | 1,380,236 |
| Repairs and maintenance | 4,687,592 | 3,033,001 |
| Security (Note 9C) | 1,743,504 | 1,627,907 |
| Depreciation and amortization (Note 4) | 15,887,012 | 14,228,750 |
| Other general, administrative and project expenses | 1,372,533 | 1,899,534 |
| **Total operating expenses** (Note 2B) | 31,878,425 | 28,993,628 |
| **Operating loss** | (11,105,092) | (7,546,772) |
| **NONOPERATING REVENUES:** | | |
| Capital and other contributions (Notes 2C and 5A) | 4,281,494 | 6,963,618 |
| Investment income (Note 2G) | 47,058 | 1,080,624 |
| Other interest income | 28,346 | 30,450 |
| **Total nonoperating revenues** | 4,356,898 | 8,074,692 |
| **NONOPERATING EXPENSES:** | | |
| Loss on disposal of capital assets | - | (5,368,284) |
| **CHANGES IN NET POSITION** | (6,748,194) | (4,840,364) |
| **Net position, beginning of year** | 391,007,626 | 395,847,990 |
| **NET POSITION, END OF YEAR** | $ 384,259,432 | $ 391,007,626 |

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 CASH FLOWS**
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Cash receipts from: | | |
| Customer payments | $ 1,022,393 | $ 1,641,973 |
| Tenant payments | 22,222,046 | 14,050,717 |
| Payments from lessees - security deposits | 59,272 | 3,687,039 |
| Total cash receipts from operating activities | 23,303,711 | 19,379,729 |
| Cash payments for: | | |
| Personnel costs | (6,544,039) | (6,214,407) |
| Services and supplies | (9,219,642) | (8,764,933) |
| Total cash payments for operating activities | (15,763,681) | (14,979,340) |
| **Net Cash Provided by Operating Activities** | 7,540,030 | 4,400,389 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Capital and other contributions received | 4,281,494 | 6,963,618 |
| Capital asset expenditures | (54,093,801) | (30,625,288) |
| **Net Cash Used in Capital and Related Financing Activities** | (49,812,307) | (23,661,670) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchases of investments | (22,910,907) | (51,434,320) |
| Securities matured | 52,324,972 | 50,624,000 |
| Interest received | 335,999 | 871,675 |
| **Net Cash Provided by Investing Activities** | 29,750,064 | 61,355 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (12,522,213) | (19,199,926) |
| Cash and cash equivalents - beginning of year | 110,169,530 | 129,369,456 |
| **CASH AND CASH EQUIVALENTS—END OF YEAR** | $ 97,647,317 | $ 110,169,530 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:** | | |
| Operating loss | $ (11,105,092) | $ (7,546,772) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,887,012 | 14,228,750 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 62,279 | 441,086 |
| Prepaid expenses | (50,561) | 33,431 |
| Accounts payable and accrued expenses | 278,293 | (247,893) |
| Security deposits | 59,272 | 3,687,039 |
| Unearned revenue | 2,408,827 | (6,195,252) |
| **Net Cash Provided by Operating Activities** | $ 7,540,030 | $ 4,400,389 |
| **RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:** | | |
| Unrestricted cash and cash equivalents | $ 33,882,116 | $ 33,962,504 |
| Restricted cash and cash equivalents | 63,765,201 | 76,207,026 |
| **CASH AND CASH EQUIVALENTS—END OF YEAR** | $ 97,647,317 | $ 110,169,530 |
| **Supplemental Disclosure of Cash Flow Information:** | | |
| Noncash capital and related financing transactions: | | |
| Accrued capital asset expenditures | $ 13,262,673 | $ 8,462,010 |
| Noncash loss on disposal of fixed assets | $ - | $ 5,368,284 |

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

## 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 ("IRC"). 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, eight 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 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.

## 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, 2021 and 2020, 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 revenues, 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.

**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 allowances for doubtful accounts receivable and depreciation and amortization. Actual results could differ from those estimates.

K. ***Reclassification of Financial Statements***

Certain amounts in the prior year's statement of cash flows have been reclassified for comparative purposes to conform with the presentation in the current year's financial statement.

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 future years.

**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. The requirements of GASB 87 are effective for periods beginning after June 15, 2021. BBP has not completed the process of evaluating GASB 87 and will evaluate leases associated with rental income when implementing.

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* ("GASB 89"). This was adopted by BBP for the year ended June 30, 2021. 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. GASB 89 did not have an impact on BBP's financial statements.

- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* ("GASB 91"). 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.

- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*, ("GASB 92") to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB 92 are effective for reporting periods after June 15, 2021. BBP has not completed the process of evaluating GASB 92, but does not expect it to have an impact on BBP's financial statements.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, ("GASB 93"). GASB 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate ("IBOR") – most notably, the London Interbank Offered Rate ("LIBOR") resulting from global reference rate reform. LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements for GASB 93 are effective for reporting periods beginning after June 15, 2021. BBP has not completed the process of evaluating GASB 93, but does not expect it to have an impact on BBP's financial statements.

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

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

- GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"), effective for reporting periods beginning after June 15, 2022. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs"). Under this statement, a government should generally recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. Certain disclosures will also be required to describe the information about the SBITA. The requirements of GASB 96 are effective for reporting periods beginning after June 15, 2022. BBP has not completed the process of evaluating the impact that adopting GASB 96 will have on its financial statements.

- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* ("GASB 97")**.** The objectives of GASB 97 are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for IRC Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 are effective for reporting periods beginning after June 15, 2021. BBP has not completed the process of evaluating the impact that adopting GASB 97 will have on its financial statements.

## NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

| | 2021 | 2020 |
|---|---|---|
| U.S. Government bonds | $27,638,074 | $52,512,074 |

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 Federal Deposit Insurance Corporation ("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 U.S. GAAP. 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, 2021 and 2020:

- U.S. Government bonds of $27,638,074 and $52,512,074 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, 2021 and 2020 are obligations of, or guaranteed by, the United States of America.

*Interest Rate Risk*

BBP's investments with 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.

## NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

*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 U.S. investments as defined in the Indenture. As of June 30, 2021 and 2020, 100% of BBP's investments are in eligible government obligations.

## NOTE 4 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2021 were as follows:

| | June 30, 2020 | Additions | Reclassifications /Dispositions | June 30, 2021 |
|---|---|---|---|---|
| Site improvements | $ 236,375,116 | $ 15,616,629 | $ (6,027) | $ 251,985,718 |
| Building, improvements and carousel | 41,808,880 | - | (22,587) | 41,786,293 |
| Furniture and fixtures | 997,792 | 317,190 | - | 1,314,982 |
| Vehicles and equipment | 1,386,704 | 159,300 | - | 1,546,004 |
| Total project assets | 280,568,492 | 16,093,119 | (28,614) | 296,632,997 |
| Less: accumulated depreciation: | | | | |
| Site improvements | (64,892,290) | (14,892,078) | - | (79,784,368) |
| Building, improvements and carousel | (2,376,763) | (643,554) | - | (3,020,317) |
| Furniture and fixtures | (477,576) | (283,774) | - | (761,350) |
| Vehicles and equipment | (1,224,378) | (67,606) | - | (1,291,984) |
| Total accumulated depreciation | (68,971,007) | (15,887,012) | - | (84,858,019) |
| Construction in progress | 34,853,514 | 55,274,238 | (17,244,939) | 72,882,813 |
| Net project assets | $ 246,450,999 | $ 55,480,345 | $ (17,273,553) | $ 284,657,791 |

**NOTE 4 – CAPITAL ASSETS (Continued)**

The changes in capital assets for the year ended June 30, 2020 were as follows:

| | June 30, 2019 | Additions | Reclassifications /Dispositions | June 30, 2020 |
|---|---|---|---|---|
| Site improvements | $ 222,503,371 | $ 13,871,745 | $ - | $ 236,375,116 |
| Building, improvements and carousel | 43,833,742 | 6,101,694 | (8,126,556) | 41,808,880 |
| Furniture and fixtures | 456,850 | 540,942 | - | 997,792 |
| Vehicles and equipment | 1,386,704 | - | - | 1,386,704 |
| Total project assets | 268,180,667 | 20,514,381 | (8,126,556) | 280,568,492 |
| Less: accumulated depreciation | | | | |
| Site improvements | (53,509,865) | (13,702,686) | 2,320,261 | (64,892,290) |
| Building, improvements and carousel | (2,451,003) | (364,425) | 438,665 | (2,376,763) |
| Furniture and fixtures | (393,095) | (84,481) | - | (477,576) |
| Vehicles and equipment | (1,146,565) | (77,813) | - | (1,224,378) |
| Total accumulated depreciation | (57,500,528) | (14,229,405) | 2,758,926 | (68,971,007) |
| Construction in progress | 19,837,706 | 36,544,625 | (21,528,817) | 34,853,514 |
| Net project assets | $ 230,517,845 | $ 42,829,601 | $ (26,896,447) | $ 246,450,999 |

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 $13,262,673 and $8,462,010 were accrued as of June 30, 2021 and 2020, respectively, which will be paid upon receipt and review of the contractor invoices.

**NOTE 5 – GRANTS AND CONTRIBUTIONS**

A. ***Capital Contributions from Government Sources***

During the years ended June 30, 2021 and 2020, BBP recognized capital funding for projects totaling $4,281,494 and $6,963,618, respectively. During the years ended June 30, 2021 and 2020, BBP spent $4,281,494 and $6,963,618, 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 2021 through Summer 2023.

Included in capital and other contributions in the accompanying statements of revenues, expenses and changes in net position are revenues derived from capital contracts with The City, which amounted to $4,281,494 and $6,963,618 for the years ended June 30, 2021 and 2020, respectively. Such amounts represented approximately 17% and 24%, 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.

## NOTE 5 – GRANTS AND CONTRIBUTIONS (Continued)

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 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.

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 are 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. 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.

## NOTE 6 – FUTURE MINIMUM GROUND LEASE REVENUES (Continued)

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. 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. 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.

The future minimum base rent to be received under the ground leases during each of BBP's five fiscal years ending from June 30, 2022 through 2026, each five-year period from fiscal years ending from June 30, 2027 through 2071 and through the end of the lease terms (thereafter), are approximately as follows:

| | |
|---|---|
| 2022 | $ 5,630,000 |
| 2023 | 5,740,000 |
| 2024 | 5,852,000 |
| 2025 | 5,966,000 |
| 2026 | 6,134,000 |
| 2027-2031 | 32,876,000 |
| 2032-2036 | 36,873,000 |
| 2037-2041 | 41,393,000 |
| 2042-2046 | 45,293,000 |
| 2047-2051 | 49,088,000 |
| 2052-2056 | 55,249,000 |
| 2057-2061 | 62,252,000 |
| 2062-2066 | 70,287,000 |
| 2067-2071 | 79,349,000 |
| Thereafter | 1,017,756,000 |
| | $1,519,738,000 |

## 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.

## NOTE 7 – PENSION PLAN (Continued)

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, 2021 and 2020.

Pension expense included in personnel costs in the accompanying statements of revenues, expenses and changes in net position for the years ended June 30, 2021 and 2020 amounted to $403,339 and $331,069, respectively.

## NOTE 8 – CONCENTRATION OF CREDIT RISK

As of June 30, 2021, the bank balances of BBP's deposits was $72,646,058, of which $500,000 was covered by FDIC insurance, $71,445,444 was collateralized and $950,614 was uncollateralized. As of June 30, 2020, the bank balance of BBP's deposit was $110,169,530, of which $500,000 was covered by FDIC insurance, $109,193,594 was collateralized and $743,257 was uncollateralized. 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, 2021 and 2020, the collateral held by the Bank for the benefit of BBP amounted to $72,624,713 and $123,472,651, 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.

BBP is also involved with a lawsuit related to damages for excessive noise at the Pierhouse Condominium building. BBP is vigorously opposing this litigation.

## NOTE 9 – 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. The agreement was renewed through June 30, 2020 and was then extended through June 30, 2022. Total costs for security expenses amounted to $1,743,504 and $1,627,907 for the years ended June 30, 2021 and 2020, respectively.

D. ***COVID-19***

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The financial condition of BBP could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on BBP's business and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, BBP cannot predict the extent to which its financial condition will be affected.