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# BROOKLYN BRIDGE PARK

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

Financial Statements  
(Together with Independent Auditors' Report)

Year Ended June 30, 2012  
And the Period from the Commencement of  
Operations (July 29, 2010) Through June 30, 2011

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

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

**Year Ended June 30, 2012  
And the Period from the Commencement of  
Operations (July 29, 2010) Through June 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Brooklyn Bridge Park Corporation

We have audited the accompanying financial statements of Brooklyn Bridge Park Corporation ("BBPC"), a component unit of The City of New York, as of June 30, 2012 and 2011 and for the year ended June 30, 2012 and the period from the commencement of operations (July 29, 2010) through June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of BBPC's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Bridge Park Corporation as of June 30, 2012 and 2011 and the changes in its financial position and its cash flows for the year ended June 30, 2012 and the period from the commencement of operations (July 29, 2010) through June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 2 through 6 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Marks Paneth & Shron LLP*

New York, NY  
September 28, 2012

**BROOKLYN BRIDGE PARK CORPORATION  
(A COMPONENT UNIT OF THE CITY OF NEW YORK)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012 AND 2011**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is an overview of the financial activities of Brooklyn Bridge Park Corporation ("BBPC"), a component unit of The City of New York (the "City") for the year ended June 30, 2012 and for the period from the commencement of operations (July 29, 2010) through June 30, 2011.

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

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS**

**ORGANIZATION OVERVIEW**

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

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

**FISCAL YEAR 2012 FINANCIAL HIGHLIGHTS:**

During the period from July 1, 2011 through June 30, 2012, BBPC received approximately \$14,702,408 in capital funds from the City pursuant to its funding agreement between the City and the New York City Department of Parks and Recreation ("DPR"). Since June 30, 2011, BBPC processed the eighth, ninth and tenth funding agreements. These agreements revised the total funding amounts to \$132,111,000, \$198,611,111 and \$220,111,000, respectively. BBPC also received approximately \$22,651,200 of capital funding designated for the development of the Park from the Port Authority of New York and New Jersey ("PANYNJ"), resulting in total capital funding receipts of approximately \$37,353,608 during the year ended June 30, 2012. This contribution from the PANYNJ completes its total obligation of \$86,000,000.

**BROOKLYN BRIDGE PARK CORPORATION**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012 AND 2011**

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

The following summarizes the activities of BBPC for the year ended June 30, 2012 and the period from the commencement of operations through June 30, 2011:

	<u>2012</u>	<u>2011</u>	<u>Variance 2012/11</u>
<b>OPERATING REVENUES:</b>			
Permits and fees	\$ 510,763	\$ 3,833,834	\$ (3,323,071)
PILOT payments and ground lease rents	7,115,223	1,022,687	6,092,536
Operating contributions from Brooklyn Bridge Park Development Corporation	<u>-</u>	<u>8,845,395</u>	<u>(8,845,395)</u>
Total Operating Revenues	<u>7,625,986</u>	<u>13,701,916</u>	<u>(6,075,930)</u>
<b>OPERATING EXPENSES:</b>			
Personnel costs	1,629,341	889,935	739,406
Utilities, repairs and maintenance and security	1,290,135	1,654,695	(364,560)
Professional fees	799,415	625,808	173,607
Depreciation and amortization	1,428,599	408,695	1,019,904
General and administrative expenses	421,944	174,783	247,161
Other	<u>6,354</u>	<u>6,354</u>	<u>-</u>
Total Operating Expenses	<u>5,575,788</u>	<u>3,760,270</u>	<u>1,815,518</u>
<b>NONOPERATING REVENUES:</b>			
Capital contributions	27,053,633	33,697,422	(6,643,789)
Contributed capital assets	13,450,000	50,463	13,399,537
Interest and other income	<u>83,107</u>	<u>32,394</u>	<u>50,713</u>
Total Nonoperating Revenues	<u>40,586,740</u>	<u>33,780,279</u>	<u>6,806,461</u>
Change in net assets	42,636,938	43,721,925	(1,084,987)
Net assets - Beginning of year	<u>43,721,925</u>	<u>-</u>	<u>43,721,925</u>
Net assets - End of year	<u>\$86,358,863</u>	<u>\$ 43,721,925</u>	<u>\$ 42,636,938</u>

**OPERATING REVENUES:**

The operating revenues for year ended June 30, 2012 decreased by \$6,075,930 from \$13,701,916 to \$7,625,986 primarily due to the one-time transfer of cash of \$8,845,395 in the prior year pursuant to the Assignment Agreements between BBPDC and BBPC (see Note 1). There was also a decrease in permits and fees of \$3,323,071 which was primarily because BBPC received a one-time fee of \$3,500,000 in fiscal year 2011 (see Note 5). Such decreases in operating revenues were offset by the increase in payments in lieu of taxes ("PILOT") and ground lease rent. This increase was primarily due to the upfront base rent payments totaling \$5,940,000 received pursuant to the agreements signed in June 2012 for the development of a hotel and residential development on Pier 1. Such payment is nonrefundable to the tenant and therefore has been reflected as ground lease rent revenue in the accompanying financial statements (see Note 5).

**BROOKLYN BRIDGE PARK CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF NEW YORK)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012 AND 2011**

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

**OPERATING EXPENSES:**

BBPC's operating expenses increased from the period ended June 30, 2011 by \$1,815,518 from \$3,760,270 to \$5,575,788. The depreciation expense increased from \$408,695 to \$1,428,599. The depreciation is related to new assets completed and placed in service, which includes Pier 1, Pier 6, and both Jane's Carousel and its pavilion. The other increases were in personnel costs and other general, administrative and project expenses. The costs were related to a full year's salaries and benefits of BBPC staff in the current year, as well as additional staff required to maintain the Park and the expenses necessary to support and maintain the administrative functions. The decrease in utilities, repairs and maintenance and security expenses is primarily due to a decrease in water charges of \$489,543 as BBPC is no longer responsible for paying the water charges of the Park. Such costs are now being paid by the City.

**NONOPERATING REVENUES:**

BBPC's nonoperating revenues increased from the period ended June 30, 2011 by \$6,806,461 from \$33,780,279 to \$40,586,740. BBPC recognizes capital funding as revenue when eligible project costs are incurred. Therefore, the decrease in capital contributions correlates to a corresponding decrease in project costs in the current year (see Note 4A). The contributed capital assets of \$13,450,000 represents the fair value of Jane's Carousel and its pavilion donated to BBPC in fiscal year 2012 (see Note 4B).

The following summarizes BBPC's assets, liabilities and net assets as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>	<u>Variance 2012/11</u>
<b>ASSETS:</b>			
Unrestricted cash and cash equivalents	\$ 15,866,786	\$ 11,486,233	\$ 4,380,553
Restricted cash and cash equivalents	32,891,642	22,762,210	10,129,432
Accounts receivable	177,216	179,495	(2,279)
Prepaid expenses	1,194	4,457	(3,263)
Capital assets, net	<u>73,059,549</u>	<u>33,430,011</u>	<u>39,629,538</u>
Total Assets	<u>121,996,387</u>	<u>67,862,406</u>	<u>54,133,981</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	5,912,763	4,737,270	1,175,493
Deferred revenue	29,712,053	19,396,857	10,315,196
OPEB obligation	<u>12,708</u>	<u>6,354</u>	<u>6,354</u>
Total Liabilities	<u>35,637,524</u>	<u>24,140,481</u>	<u>11,497,043</u>
<b>NET ASSETS:</b>			
Invested in capital assets	73,059,549	33,430,011	39,629,538
Restricted for capital projects	-	130,717	(130,717)
Unrestricted	<u>13,299,314</u>	<u>10,161,197</u>	<u>3,138,117</u>
Total Net Assets	<u>\$ 86,358,863</u>	<u>\$ 43,721,925</u>	<u>\$ 42,636,938</u>

**BROOKLYN BRIDGE PARK CORPORATION  
(A COMPONENT UNIT OF THE CITY OF NEW YORK)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012 AND 2011**

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

At June 30, 2012, BBPC maintained total assets of \$121,996,387, which was \$54,133,981 higher than total assets of \$67,862,406 as of June 30, 2011.

Bank deposits consisting of unrestricted and restricted cash and cash equivalents held at June 30, 2011 increased by \$14,509,985. BBPC received operating cash from permit fees, PILOT payments, concession fees, and ground lease rent, as well as funding from the PANYNJ and the DPR. Funding from PANYNJ and 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.

BBPC's noncurrent assets as of June 30, 2011 were \$33,430,011 and such amounts increased by \$39,629,538 to \$73,059,549 (representing 60% of total assets) as of June 30, 2012. Such amounts consist of capital assets and include site improvements of \$23,190,506 for Pier 1 and Pier 6. Other amounts include the building that houses Jane's Carousel of \$9,200,000 and Jane's Carousel itself of \$4,250,000. A remaining substantial amount of \$37,001,664 was for construction in progress, costs that are primarily incurred in developing the park for pile repair, Pier 5, Squibb Park, Squibb Park Bridge and Pier 4 and 5 uplands. The increase of \$39,629,538 was due in large part to the donation of Jane's Carousel and ongoing construction.

The increase in liabilities of \$11,497,043 from June 30, 2011 to June 30, 2012 is primarily due to an increase in deferred revenues of \$10,315,196 for advances received by BBPC from the City and PANYNJ for its ongoing construction projects and an increase in accrued project costs payable.

The increase in BBPC's total net assets is a result of the change in net assets of \$42,636,938 for the year ended June 30, 2012. The increase in net assets invested in capital assets is due to the Project costs and the donation of Jane's Carousel as explained above. The net assets restricted for capital projects as of June 30, 2012 is zero since the liabilities related to the restricted assets exceeded the restricted assets as of June 30, 2012. The negative amount was reported as a reduction to unrestricted net assets.

**FISCAL YEAR 2011 FINANCIAL HIGHLIGHTS:**

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

**BROOKLYN BRIDGE PARK CORPORATION  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012 AND 2011**

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - FINANCIAL STATEMENTS (Continued):**

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

- Unrestricted and restricted cash and cash equivalents were \$34,248,443 (or 99%) of total current assets.
- Capital assets were \$33,430,011, representing 49% of total assets. Such amount includes vehicles and equipment of \$50,463 transferred from BBPDC to BBPC. The remaining capital assets consist primarily of costs incurred in developing the project, including \$10,505,012 reflected as construction-in-progress.
- Total assets as of June 30, 2011 were \$67,862,406.
- Total deferred revenue equals \$19,396,857 or 80% of total liabilities.
- Total liabilities were \$24,140,481.
- Total net assets were \$43,721,925, of which \$130,717 was restricted for capital projects.

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

Operating expenses for the period from the commencement of operations (July 29, 2010) through June 30, 2011 of \$3,760,270 consisted of \$889,935 in personnel costs, including related benefits, \$562,064 in utilities, \$625,808 of professional fees, \$507,334 in repairs and maintenance, \$585,297 for security, \$408,695 in depreciation and amortization, \$6,354 in other postemployment obligations and benefits and \$174,783 of other general, administrative and project expenses.

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

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

**\*\* END \*\***



**BROOKLYN BRIDGE PARK CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF NEW YORK)**  
**STATEMENTS OF NET ASSETS**  
**AS OF JUNE 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Unrestricted cash and cash equivalents (Notes 2E and 8A)	\$ 15,866,786	\$ 11,486,233
Restricted cash and cash equivalents (Notes 2F and 8A)	32,891,642	22,762,210
Accounts receivable (Note 2D)	177,216	179,495
Prepaid expenses	1,194	4,457
<b>Total current assets</b>	<b>48,936,838</b>	<b>34,432,395</b>
<b>Noncurrent assets:</b>		
Capital assets, net of accumulated depreciation (Notes 2G and 3)	73,059,549	33,430,011
<b>Total noncurrent assets</b>	<b>73,059,549</b>	<b>33,430,011</b>
<b>TOTAL ASSETS</b>	<b>\$ 121,996,387</b>	<b>\$ 67,862,406</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses (Note 3)	\$ 5,912,763	\$ 4,737,270
Deferred revenue (Notes 2C, 2D and 4)	29,712,053	19,396,857
<b>Total current liabilities</b>	<b>35,624,816</b>	<b>24,134,127</b>
<b>Noncurrent liabilities:</b>		
Other postemployment benefits obligation (Notes 2J and 7)	12,708	6,354
<b>Total noncurrent liabilities</b>	<b>12,708</b>	<b>6,354</b>
<b>TOTAL LIABILITIES</b>	<b>35,637,524</b>	<b>24,140,481</b>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 9)		
<b>NET ASSETS</b> (Note 2H)		
Invested in capital assets	73,059,549	33,430,011
Restricted for capital projects (Note 10)	-	130,717
Unrestricted (Note 10)	13,299,314	10,161,197
<b>TOTAL NET ASSETS</b>	<b>86,358,863</b>	<b>43,721,925</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 121,996,387</b>	<b>\$ 67,862,406</b>

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

**BROOKLYN BRIDGE PARK CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF NEW YORK)**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012 AND THE PERIOD FROM THE**  
**COMMENCEMENT OF OPERATIONS (JULY 29, 2010) THROUGH JUNE 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES:</b>		
Permits and other fees (Note 5)	\$ 510,763	\$ 3,833,834
Payments in lieu of taxes and ground lease rent (Notes 2D and 5)	7,115,223	1,022,687
Operating contributions from Brooklyn Bridge Park Development Corporation (Note 1)	-	8,845,395
<b>Total operating revenues</b> (Note 2B)	<u>7,625,986</u>	<u>13,701,916</u>
<b>OPERATING EXPENSES:</b>		
Personnel costs (Note 6)	1,629,341	889,935
Utilities	146,279	562,064
Professional fees (Note 9D)	799,415	625,808
Repairs and maintenance	637,949	507,334
Security (Note 9C)	505,907	585,297
Depreciation and amortization	1,428,599	408,695
Other postemployment benefits obligation expense (Note 7)	6,354	6,354
Other general, administrative and project expenses	421,944	174,783
<b>Total operating expenses</b> (Note 2B)	<u>5,575,788</u>	<u>3,760,270</u>
<b>Operating income</b>	<u>2,050,198</u>	<u>9,941,646</u>
<b>NONOPERATING REVENUES:</b>		
Capital contributions from government sources (Note 4A)	27,043,633	33,697,422
Capital contributions from private sources	10,000	-
Contributed capital assets (Note 4B)	13,450,000	50,463
Interest income	31,104	30,774
Other income	52,003	1,620
<b>Total nonoperating revenues</b>	<u>40,586,740</u>	<u>33,780,279</u>
<b>CHANGE IN NET ASSETS</b>	42,636,938	43,721,925
<b>Net assets, beginning of year</b>	<u>43,721,925</u>	-
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 86,358,863</u>	<u>\$ 43,721,925</u>

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

**BROOKLYN BRIDGE PARK CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF NEW YORK)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012 AND THE PERIOD FROM THE**  
**COMMENCEMENT OF OPERATIONS (JULY 29, 2010) THROUGH JUNE 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from:		
Customer payments	\$ 513,042	\$ 3,654,339
Tenant payments	7,220,444	1,851,134
Other receipts	-	8,845,395
Total cash receipts from operating activities	<u>7,733,486</u>	<u>14,350,868</u>
Cash payments for:		
Personnel costs	(1,487,419)	(815,544)
Services and supplies	<u>(2,303,650)</u>	<u>(1,859,947)</u>
Total cash payments for operating activities	<u>(3,791,069)</u>	<u>(2,675,491)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>3,942,417</u>	<u>11,675,377</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Contributions from private sources	10,000	-
Other receipts	<u>52,003</u>	<u>-</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>62,003</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants and contributions received	37,353,608	52,265,832
Return of unexpended capital grant funds to funding source	(100,000)	-
Capital asset expenditures	<u>(26,779,147)</u>	<u>(29,725,160)</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>10,474,461</u>	<u>22,540,672</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	<u>31,104</u>	<u>32,394</u>
<b>Net Cash Provided by Investing Activities</b>	<u>31,104</u>	<u>32,394</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	14,509,985	34,248,443
Cash and cash equivalents - beginning of year	<u>34,248,443</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS—END OF YEAR</b>	<u>\$ 48,758,428</u>	<u>\$ 34,248,443</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 2,050,198	\$ 9,941,646
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,428,599	408,695
Changes in operating assets and liabilities:		
Accounts receivable	2,279	(179,495)
Prepaid expenses	3,263	(4,457)
Accounts payable and accrued expenses	346,503	674,187
Deferred revenue	105,221	828,447
Other postemployment benefits obligation	6,354	6,354
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 3,942,417</u>	<u>\$ 11,675,377</u>
<b>RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:</b>		
Unrestricted cash and cash equivalents	\$ 15,866,786	\$ 11,486,233
Restricted cash and cash equivalents	<u>32,891,642</u>	<u>22,762,210</u>
<b>CASH AND CASH EQUIVALENTS—END OF YEAR</b>	<u>\$ 48,758,428</u>	<u>\$ 34,248,443</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Noncash capital and related financing transactions:		
Contributed capital assets	<u>\$ 13,450,000</u>	<u>\$ 50,463</u>
Accrued capital asset expenditures	<u>\$ 4,892,073</u>	<u>\$ 4,063,083</u>

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

**BROOKLYN BRIDGE PARK CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

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

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

Pursuant to the Assignment Agreements between BBPDC and BBPC, BBPDC assigned to BBPC its entire right, title and interest in future capital funding from the Port Authority of New York and New Jersey (“PANYNJ”) under the Port Authority Funding Agreement between BBPDC and PANYNJ and future funding from the City under the Park Funding Agreement between BBPDC and the City. In addition, BBPDC transferred unexpended operating funds of \$8,845,395 to BBPC during the year ended June 30, 2011.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Basis of Accounting***

BBPC’s financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period they are earned and expenses are recognized in the period they are incurred.

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

**B. *Revenue and Expense Classification***

BBPC distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. Operating revenues and expenses generally result from BBPC’s ongoing operations. The principal operating revenues include permits, concessions, rental income, payments in lieu of taxes (“PILOT”) and other fees. Major operating expenses include 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***

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

BBPC 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 assets in the accompanying statement of net assets depending on any donor restriction.

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

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

**E. *Cash Equivalents***

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

**F. *Restricted Assets***

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

**G. *Capital Assets***

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

Other property and equipment purchased for use in operations by BBPC in excess of \$5,000 is capitalized and depreciated using the straight-line method over the estimated useful life assigned.

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

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

Property and equipment transferred to BBPC pursuant to the Assignment Agreement with BBPDC were recorded at estimated fair value upon the date of the transfer.

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

**H. Net Assets**

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

Restricted net assets represent 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 assets. The negative amount is reported as a reduction to unrestricted net assets.

**I. Use of Estimates**

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

**J. Other Postemployment Benefits**

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

**K. Recent Accounting Pronouncements**

- In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*. The Statement establishes the financial reporting for service concession agreements. The Statement is effective for financial statement periods beginning after December 15, 2011. BBPC has not completed the process of evaluating GASB 60, but does not expect it to have an impact on its financial statements.
- In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statement No. 14 and No. 34*. The Statement amends existing standards relating to the composition and reporting of the governmental financial reporting entity. The statement is effective for financial statement periods beginning after June 15, 2012, but is not expected to have an impact on BBPC or its status as a component unit of the City.
- In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*. The Statement incorporates a large volume of Financial Accounting Standards Board and AICPA accounting pronouncements into the GASB hierarchy of generally accepted accounting principles for governments. The statement is effective for financial statement periods beginning after December 15, 2011. BBPC has not completed the process of the evaluation of GASB 62, but does not expect it to have an impact on its financial statements.

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

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for financial statements for periods beginning after December 15, 2011. The Statement establishes new reporting requirements of two elements (deferred outflows of resources and deferred inflows of resources) and renames the statement of net assets to statement of net position, as well as reported net assets, and components thereof, to net position. BBPC has not completed the process of evaluating GASB 63, but it is expected to change only the formatting and naming of BBPC's statement of net assets and components thereof, with no overall financial impact.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision*, is effective for financial statements for periods beginning after June 15, 2011. The Statement clarifies the existing requirements for the termination of hedge accounting upon default or termination of a swap counterparty or swap counterparty's credit support provider. BBPC has not completed the process of evaluating GASB 64, but does not expect it to have an impact on its financial statements.
- In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). GASB 65 establishes accounting and reporting standards that reclassify certain items that are currently reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items currently being reported as assets and liabilities as outflows and inflow of resources. In addition, it limits the use of the term deferred in the financial statement presentation. The provisions of GASB 65 are effective for financial statement for periods beginning after December 15, 2012. BBPC has not completed the process of evaluating GASB 65, but it is expected to change only the formatting and naming of BBPC's statement of net assets and components thereof, with no overall financial impact.
- In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012 an amendment of GASB Statements No. 10 and No. 62* ("GASB 66"). GASB 66 resolves conflicting accounting and reporting guidance that resulted from the issuance of two pronouncements, Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of GASB 66 are effective for financial statements period beginning after December 15, 2012. BBPC has not completed the process of evaluating GASB 66, but does not expect it to have an impact on its financial statements.
- In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* ("GASB 67"). BBPC has not completed the process of evaluating GASB 67, but does not expect it to have an impact on its financial statements.
- In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers. The requirements of GASB 68 are effective for fiscal years beginning after June 15, 2014. BBPC has not completed the process of evaluating GASB 68, but does not expect it to have an impact on its financial statements.

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**NOTE 3 – CAPITAL ASSETS**

The change in project assets for the year ended June 30, 2012 was as follows:

	<b>Balance at June 30, 2011</b>	<b>Additions</b>	<b>Deletions/ Reclassifications</b>	<b>Balance at June 30, 2012</b>
Site improvements	\$ 23,190,506	\$ -	\$ -	\$ 23,190,506
Building, improvements and carousel	-	14,353,986	-	14,353,986
Furniture and fixtures	51,545	82,240	-	133,785
Vehicles and equipment	91,643	125,259	-	216,902
Total project assets	<u>23,333,694</u>	<u>14,561,485</u>	<u>-</u>	<u>37,895,179</u>
Less: accumulated depreciation				
Site improvements	(385,623)	(1,159,525)	-	(1,545,148)
Building, improvements and carousel	-	(222,843)	-	(222,843)
Furniture and fixtures	(9,079)	(18,205)	-	(27,284)
Vehicles and equipment	(13,993)	(28,026)	-	(42,019)
Total accumulated depreciation	<u>(408,695)</u>	<u>(1,428,599)</u>	<u>-</u>	<u>(1,837,294)</u>
Construction in progress	<u>10,505,012</u>	<u>27,400,638</u>	<u>(903,986)</u>	<u>37,001,664</u>
Net project assets	<u>\$ 33,430,011</u>	<u>\$ 40,533,524</u>	<u>\$ (903,986)</u>	<u>\$ 73,059,549</u>

The changes in capital assets for the period ended June 30, 2011 was as follows:

	<b>Balance at July 29, 2010</b>	<b>Additions</b>	<b>Deletions/ Reclassifications</b>	<b>Balance at June 30, 2011</b>
Site improvements	\$ -	\$ 23,190,506	\$ -	\$ 23,190,506
Furniture and fixtures	-	51,545	-	51,545
Vehicles and equipment	-	91,643	-	91,643
Total project assets	<u>-</u>	<u>23,333,694</u>	<u>-</u>	<u>23,333,694</u>
Less: accumulated depreciation				
Site improvements	-	(385,623)	-	(385,623)
Furniture and fixtures	-	(9,079)	-	(9,079)
Vehicles and equipment	-	(13,993)	-	(13,993)
Total accumulated depreciation	<u>-</u>	<u>(408,695)</u>	<u>-</u>	<u>(408,695)</u>
Construction in progress	<u>-</u>	<u>10,505,012</u>	<u>-</u>	<u>10,505,012</u>
Net project assets	<u>\$ -</u>	<u>\$ 33,430,011</u>	<u>\$ -</u>	<u>\$ 33,430,011</u>

BBPC has entered into planning, design, construction and other project-related contracts for site improvements, most of which are structured on a work order basis. BBPC is responsible for accrued expenses per authorized work order, not for the payment of contract balances. Capital expenditures totaling to \$4,892,073 and \$4,063,083 were accrued as of June 30, 2012 and 2011, respectively, which will be paid upon receipt and review of the contractor invoices.



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**NOTE 4 – GRANTS AND CONTRIBUTIONS**

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

During the year ended June 30, 2012, BBPC received capital funding for the project totaling to \$37,353,608 and spent \$27,043,633 on eligible project costs. During the period ended June 30, 2011, BBPC received capital funding totaling to \$52,265,832 and spent \$33,697,422 on eligible project costs. BBPC recognized the amount spent for eligible project costs as capital contributions in the accompanying statement of revenues, expenses, and changes in net assets while the unspent funds are included in deferred revenue in the accompanying statement of net assets.

Revenues from capital contracts with the City amounted to \$8,110,927 and \$26,716,548 for the year ended June 30, 2012 and the period ended June 30, 2011, respectively. Such amounts represented approximately 17% and 56% of total revenues for the year ended June 30, 2012 and the period ended June 30, 2011, respectively.

Revenues from capital contracts with the PANYNJ amounted to \$18,698,076 and \$3,756,503 for the year ended June 30, 2012 and the period ended June 30, 2011, respectively. Such amounts represented approximately 39% and 8% of total revenues for the year ended June 30, 2012 and the period ended June 30, 2011, respectively. The funding received by BBPC during fiscal year 2012 satisfied the PANYNY's total funding obligation of \$86,000,000.

**B. *Non-Cash Capital Contributions***

During the year ended June 30, 2012, BBPC also received a donation of a restored 1920's carousel ("Jane's Carousel") along with a structure in which Jane's Carousel is housed. BBPC 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, BBPC has agreed that for a period of thirty years, commencing as of the date of the Agreement of May 21, 2010, BBPC shall not permanently remove Jane's Carousel from the Park, provided, however, that Jane's Carousel may be temporarily removed for repair, refurbishment, protection from flood or other dangerous natural occurrence, to accommodate necessary excavation work, and for other similar purposes and that Jane's Carousel shall be promptly reinstalled in the Park after the purpose for its removal is concluded.

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

During the period ended June 30, 2011, BBPC recognized contributions for the capital assets and cash it received from BBPDC. The receipts were treated as non-exchange transactions as BBPC received value (benefit) from BBPDC without directly giving equal value in exchange.

**NOTE 5 – FUTURE MINIMUM GROUND LEASE REVENUES**

BBPC is entitled to future ground lease and PILOT payments from a tenant pursuant to a ground lease entered into by BBPDC and a tenant in February 2008, which was assigned to BBPC pursuant to the Assignment Agreements between BBPC and BBPDC (see Note 1). The ground lease is for a 99-year term expiring in 2106. The ground lease provides for base annual rental payments of \$1,250,000 for the first three years and increasing 3% annually thereafter.

Pursuant to a separate development agreement with the tenant, BBPC received a one-time fee of \$3,500,000 during the year ended June 30, 2011 which is included in permits and other fees in the accompanying financial statements.

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**NOTE 5 – FUTURE MINIMUM GROUND LEASE REVENUES (Continued)**

In June 2012, BBPC entered into an agreement for the development of a hotel and residential development on Pier 1. Pursuant to this agreement, BBPC has entered into ground lease agreements with the developer which expire in July 2109. During the year ended June 30, 2012, BBPC received upfront base rent payments totaling \$5,940,000 which is equal to the base rent payable under such lease agreements for the first lease year. Such payment would be refundable to the developer if the agreement was terminated during a four-month period following the execution date of the agreement, which is October 18, 2012. Since the likelihood of the agreement being terminated prior to this date is remote, BBPC has reflected such payment as ground lease rent revenue in the accompanying financial statements.

The future minimum base rents to be received under the ground leases during each of BBPC's five fiscal years ending from June 30, 2013 through 2017 and through the end of the lease terms (thereafter), are approximately as follows:

2013	\$ 3,210,000
2014	3,395,000
2015	3,580,000
2016	11,556,000
2017	4,482,000
Thereafter	<u>807,416,000</u>
	<u>\$ 833,639,000</u>

**NOTE 6 – PENSION PLAN**

BBPC's employees participate in benefit plans administered by the New York City Economic Development Corporation ("EDC"), a component unit of the City. BBPC, through EDC, maintains a defined contribution plan, which covers substantially all of BBPC's employees. The pension plan provides for variable contribution rates by BBPC ranging from 6% to 14% of the employee's eligible wages as defined in the plan document. Pension expense included in personnel costs in the accompanying statement of revenues, expenses and changes in net assets for the year ended June 30, 2012 and the period ended June 30, 2011 amounted to \$74,101 and \$50,724, respectively.

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS**

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

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

As of June 30, 2012 and 2011, there was only one person employed by BBPC who met the required benefit eligibility of age 60 with at least 10 years of service as of the plan close date of June 30, 2022. There were no retirees of BBPC receiving benefits from the plan as of June 30, 2012 or 2011.

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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

BBPC's annual OPEB cost for the plan is calculated based on the annual required contribution "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. As BBPC's OPEB plan has less than 200 members, actuarial valuations are required every three years. The most recent actuarial valuation was for the plan year ended June 30, 2011.

BBPC's annual OPEB cost for the year ended June 30, 2012 and the period ended June 30, 2011 and the related information for the plan are as follows:

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 6,354	\$ 6,354
Increase in net OPEB obligation	6,354	6,354
Net OPEB obligation – beginning of period	<u>6,354</u>	<u>-</u>
Net OPEB obligation – end of period	12,708	6,354
Funded OPEB plan assets – end of period	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability – end of period	<u>\$ 12,708</u>	<u>\$ 6,354</u>

As of June 30, 2012 and 2011, the actuarial accrued liability for benefits was \$12,708 and \$6,354, respectively, all of which was unfunded. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. There is no funding progress or contribution schedule to be presented since it was the first measurement of BBPC's obligation in 2011.

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

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

**NOTE 8 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**A. *Concentration of Credit Risk***

As of June 30, 2012, the bank balance of BBPC's deposits was \$49,001,128, of which \$250,105 was covered by Federal Deposit Insurance Corporation ("FDIC") insurance and the rest was uninsured. As of June 30, 2011, the bank balance of BBPC's deposit was \$39,391,847, of which \$250,807 was covered by FDIC insurance and the rest was uninsured. The uninsured balance was exposed to custodial risk on the basis that the uninsured bank balance is not collateralized. Custodial credit risk is the risk that in the event of bank failure, BBPC's deposits may not be returned to it or BBPC will not be able to recover collateral securities that are in the name of an outside party.

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**NOTE 8 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Subsequent to June 30, 2012, BBPC 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 BBPC multiplied by a margin factor of 102%. The custodian will hold any eligible securities pledged by the Bank as collateral for the benefit of BBPC pursuant to the Agreement.

**B. *Investments***

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

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

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

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

BBPC held no investments as of June 30, 2012, and 2011 and had no investment transactions during the year ended June 30, 2012 and the period ended June 30, 2011.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

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

Pursuant to BBPC's contractual relationships with certain governmental and other funding sources, such funding sources have the right to examine the books and records of BBPC 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.

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**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**B. *Litigation***

On May 21, 2012, BBPC reached a settlement which resolved federal and state judgments made against BBPC that would have prevented the rehabilitation and development of two Civil War era structures located in Brooklyn Bridge Park, known as the Tobacco Warehouse and Empire Stores, on the basis that such development is restricted by the Federal Land and Water Conservation Fund Act (“LWCF”) and the state public trust doctrine. The settlement calls for BBPC to apply to the National Park Service for a conversion, which would lift the LWCF restrictions in exchange for restricting new parkland of at least equal fair market value. On June 7, 2012, state legislation was introduced which provides for the alienation of the Tobacco Warehouse and Empire Stores sites, conditional upon the National Park Service’s approval of the conversion process. The legislation was signed into law by the Governor on July 18, 2012. The settlement and legislation should enable BBPC to proceed with development of the two sites after the National Park Service approves the conversion.

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

BBPC has entered into an agreement with New York City Department of Parks and Recreation (“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 can be renewed for an additional four one-year periods through February 28, 2015. Total costs for security expenses amounted to \$505,907 and \$585,297 for the year ended June 30, 2012 and the period ended June 30, 2011, respectively.

**D. *Administrative Services Agreement with EDC***

To support its activities, BBPC entered into a contract with EDC, a not-for-profit local development corporation and a component unit of the City. Under the terms set forth in the agreement, EDC provided BBPC with professional and technical assistance it needed to accomplish its objectives. These services include accounting, human resources, banking services, management information, compliance and similar services. Fees paid to EDC pursuant to the agreement amounted to \$114,221 and \$49,360 for the year ended June 30, 2012 and the period ended June 30, 2011, respectively. Such amounts are included in professional fees in the accompanying financial statements.

**NOTE 10—RECLASSIFICATIONS**

Certain expense line items in the June 30, 2011 financial statements have been reclassified to conform to the June 30, 2012 presentation.

In addition, the presentation of net assets was reclassified in the current year. The net assets restricted for capital projects as of June 30, 2011 was reduced by \$18,568,410 to offset the deferred revenues attributable to capital projects against the related restricted cash and cash equivalents. The unrestricted net assets balance was accordingly increased by \$18,568,410.