BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
INDEPENDENT AUDITOR'S REPORT WITH CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH OMB CIRCULAR A-133 AUDIT REPORTS
June 30, 2015
(With comparative totals for 2014)

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INDEPENDENT AUDITOR'S REPORT

Deans • Archer & Co.

CERTIFIED PUBLIC ACCOUNTANTS

265 East Merrick Road - Suite 205
Valley Stream, New York 11580
(516) 872-6922/FAX: (516) 872-6925
EMAIL: deansarcher@deansarcher.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brooklyn Navy Yard
Development Corporation
Brooklyn, New York

We have audited the accompanying consolidated statements of net assets of Brooklyn Navy Yard Development Corporation, ("BNYDC"), as of June 30, 2015 and 2014, and the related consolidated statements of revenues, expenses, and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Navy Yard Development Corporation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules, as required by The City of New York, New York City Human Administration, Federal, State and Local Administration are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information

Other Reporting Required by Government *Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2015 on our consideration of BNYDC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BNYDC's internal control over financial reporting and compliance.

Deans Archer & Co

Valley Stream, New York
September 3, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Brooklyn Navy Yard Development Corporation's, ("BNYDC") annual financial report presents our management analysis of BNYDC's financial performance during the fiscal year that ended on June 30, 2015.

Overview of BNYDC and the Consolidated Financial Statements

BNYDC is responsible for the leasing, management, and development of the Brooklyn Navy Yard for industrial, maritime, and commercial uses. The corporation operates under a lease with The City of New York that, after exercising all renewal periods, expires in 2111 and also under an annual management contract. BNYDC has the dual responsibility of generating revenues to cover all of its operating expenses while simultaneously implementing strategies to retain and increase employment. The Corporation is also responsible for the maintenance of the Navy Yard's buildings, roadways, utility distribution systems, fire hydrants, water and sewage, sanitation, snow removal, and street security. For the fiscal year ended June 30, 2015, BNYDC incurred an operating loss of ($9,335,258). However, when depreciation and amortization (non-cash items) are factored out, BNYDC realized an excess of operating revenue over operating expenses of $6,573,750 ($15,909,008 less $9,335,258). This resulted in a positive cash flow of $7,790,764 provided by operating activities.

Financial Highlights

BNYDC's consolidated financial statements reveal that the corporation is in excellent condition. This is evidenced by the following:

- The corporation's cash and cash equivalents, including reserved cash, totaled $58,661,107 at June 30, 2015;
- Current assets stand at $66,175,203 vs. current liabilities of $23,254,173;
- BNYDC operated with a working capital position of $43 million on a $35 million budget;
- Investment in property and equipment grew by $46.8 million;
- BNYDC generated positive cash flows of approximately $8 million from operations.

Statement of Net Assets Analysis

	2015	2014	% Increase (Decrease) 2015-2014
Cash and Cash Equivalents (Including Reserve Cash)	$ 58,661,107	$ 81,961,753	-28%
Working Capital	42,921,030	73,149,760	-41%
Property and Equipment	354,927,003	308,078,363	15%
Total Net Assets	285,089,524	272,820,641	5%

Assets

The decreases in cash and cash equivalents, reserve cash, and working capital, and the increase in property and equipment resulted mainly from the capital investments made in the waterfront, the electric distribution system, the buildings and equipment for operating activities. The increase in total net assets is a direct result of The City of New York and BNYDC's capital investments in the Navy Yard.

Statement of Revenue and Expense Analysis

	2015	2014	% Increase (Decrease) 2015-2014
Rent Revenue	$ 28,051,112	$ 27,721,011	1%
Total Operating Revenues	35,268,736	35,076,968	1%
Utilities	6,447,556	7,765,752	-17%
Total Operating Expenses	44,603,994	45,181,104	-1%
Operating Loss	(9,335,258)	(10,104,136)	-8%
Change in Net Assets	12,268,883	9,577,679	28%

Statement of Revenue and Expense Analysis

BNYDC manages and leases over 4,000,000 square feet of industrial and commercial space under roof as well as six (6) dry docks and four (4) finger piers. By leasing these properties, BNYDC generates revenues to cover its operating costs, as well as surplus monies that are reinvested in the facility. Properties are leased to tenants on both a short term and long term basis. In addition, BNYDC facilitates business growth and expansion on the part of our tenants by creating an environment that compliments their business and therefore helps create jobs.

Revenue

The demand for industrial space continued to be strong during fiscal year 2015. BNYDC realized an increase in rent revenues of 1% mainly as a result of higher base payments due to lease renewals and tenant turnover. The total operating revenues are up 1% for fiscal year 2015.

Expenses

Total operating expenses decreased by 1%, due mainly to decreases in insurance and utilities costs. Operating loss decreased by 8% and change in Net Assets increases by 28%.

Capital Infrastructure Investment

On December 10, 2014, BNYDC created a not for-profit company, Building 77 QALICB, Inc. (77 Inc.) to generate tax credits to help finance and rehabilitate a building in the Navy Yard, known as Building 77.

Although the Navy Yard is performing excellently within its operating budget, it still requires substantial investment for its capital infrastructure. Much of this requirement is the result of about fifty years of deferred maintenance and lack of any capital investment. Another reason is the ever-escalating costs in maintaining waterfront properties, including aging bulkheads and piers that are eaten away by both time and marine life.

CONSOLIDATED FINANCIAL STATEMENTS

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF NET ASSETS
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 4)	$ 11,223,504	$ 8,551,873
Reserved Cash (Note 4)	47,437,603	73,409,880
Accounts Receivables: Less Allowance for Doubtful Accounts of $321,172 in 2015 and $4,471,934 in 2014	294,223	1,215,261
Receivable from Grants and Contracts (Note 9)	6,042,404	9,322,134
Prepaid Expenses and other Current Assets	1,177,469	1,190,362
Total Current Assets	66,175,203	93,689,510
Cash-tenants' Security Deposits	4,588,669	3,232,980
Community Development Note Receivable (Note 5)	28,025,361	17,687,500
Property and Equipment, Net (Note 6)	354,927,003	308,078,363
Total Assets	$ 453,716,236	$ 422,688,353
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 7,052,996	$ 3,820,442
Unearned Revenue (Note 7)	16,201,177	16,719,308
Total Current Liabilities	23,254,173	20,539,750
Tenants' Security Deposits	4,588,669	3,232,980
Unearned Revenue (Note 7)	263,870	274,982
Development Loans (Note 12)	101,500,000	101,500,000
Community Development Loan (Note 13)	39,020,000	24,320,000
Total Liabilities	168,626,712	149,867,712
Net Assets (Note 2)		
Invested in Capital Assets, Net of Related Debt	261,418,750	245,729,581
Operating	23,670,774	27,091,060
Total Net Assets	$ 285,089,524	$ 272,820,641

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

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
For the years ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Rents	$ 28,051,112	$ 27,721,011
Additional Rent (Insurance Premium)	494,723	581,626
Utilities	5,625,723	5,584,961
Grants	454,653	434,900
Other Income	642,525	754,470
Total Operating Revenues	35,268,736	35,076,968
OPERATING EXPENSES		
Property Management		
Personnel and Fringe Benefits	8,629,311	8,672,312
Utilities	6,447,556	7,765,752
Property Insurance	1,287,020	1,375,198
Provision for Bad Debts	1,097,966	1,788,996
Events, Programs & Exhibits	223,129	245,349
Other Operating and Maintenance	2,733,817	2,844,602
Depreciation and Amortization	15,909,008	15,446,743
Total Property Management	36,327,807	38,138,952
General and Administrative		
Personnel and Fringe Benefits (Schedule II)	5,982,555	5,073,875
Other (Schedule II)	2,293,632	1,968,277
Total General and Administrative	8,276,187	7,042,152
Total Operating Expenses	44,603,994	45,181,104
Operating Loss	(9,335,258)	(10,104,136)
NON-OPERATING REVENUE (EXPENSES)		
Interest Expense	(758,043)	(756,054)
Interest and Investment Income	280,430	252,696
Loss before Capital Contributions and Transfers	(9,812,871)	(10,607,494)
Capital Contributions		
City of New York Capital Budget (Note 9)	12,562,716	17,210,838
Capital Grants Note 10)	8,430,365	
Tax Credit Capital Contribution (Note 11)	1,088,673	2,974,335
Change in Net Assets	12,268,883	9,577,679
Total Net Assets at Beginning of Year	272,820,641	263,242,962
Total Net Assets at End of Year	$ 285,089,524	$ 272,820,641

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

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants	$ 36,189,774	$ 35,672,993
Payments to Suppliers	(17,441,070)	(18,548,109)
Payments to Employees	(10,957,940)	(10,607,932)
Net Cash Provided by Operating Activities	7,790,764	6,516,952
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	24,832,241	28,790,651
Note Receivable	(10,337,861)	-
Purchase of Capital Assets	(59,808,177)	(36,676,759)
Development Loan	14,700,000	500,000
Net Cash (Used) Provided by Capital and Related Financing Activities	(30,613,797)	(7,386,108)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	280,430	252,696
Interest Expense	(758,043)	(756,054)
Net Cash (Used) Provided by Investing Activities	(477,613)	(503,358)
Net (Decrease) Increase in Cash and Cash Equivalents	(23,300,646)	(1,372,514)
Cash and Cash Equivalent, including Reserve Cash at Beginning of Year	81,961,753	83,334,267
Cash and Cash Equivalent, including Reserve Cash at End of Year	$ 58,661,107	$ 81,961,753
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$ (9,335,258)	$ (10,104,136)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	15,909,008	15,446,743
Changes in Operating Assets and Liabilities:		
Decrease in Receivable Net	921,038	596,025
Decrease (Increase) in Prepaid Expenses and other Current Assets	12,893	(371,952)
Increase in Accounts Payable and Accrued Expenses	283,083	950,272
Net Cash Provided by Operating Activities	$ 7,790,764	$ 6,516,952
SUPPLEMENTAL DISCLOSURE		
Interest Paid and Capitalized	$ 1,913,069	$ 1,493,333

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

The predecessor-in-interest of the Brooklyn Navy Yard Development Corporation ("BNYDC") was organized in 1966. BNYDC is a not-for-profit corporation, pursuant to the not-for-profit law of the State of New York.

The primary purpose of BNYDC is to provide economic rehabilitation in Brooklyn to revitalize the economy and create job opportunities.

In 1971, BNYDC's predecessor-in-interest leased the Brooklyn Navy Yard from The City of New York ("The City") for the purpose of rehabilitating it and attracting new businesses and industry to the area. That lease was amended, restated and the term extended by a lease commencing July 1, 2012, for a period of 49 years with five 10-year extension periods.

The members of the Board of Directors serve at the pleasure of the Mayor of The City of New York. As such, BNYDC is considered a component unit of The City of New York for the purpose of The City of New York Comprehensive Annual Financial Report.

SUBSIDARY COMPANIES

On June 19, 2012 BNYDC created three for-profit companies, under the laws of the State of New York, to rehabilitate a building in the Navy Yard, known as the Building 128 Complex, ("the Building"). The Building is a certified historic structure that is eligible for investment tax credits for qualifying rehabilitation expenditures pursuant to Section 47 of the Internal Revenue Code, ("IRC").

(i) GMC Brooklyn, Inc. ("GMC BK")

GMC BK is wholly owned by BNYDC and serves as the managing member of GMC Landlord, LLC and GMC Master Tenant, LLC.

(ii) GMC Landlord, LLC ("GMC Landlord")

GMC Landlord holds a 55-year sublease of the Building from BNYDC and has tax ownership over the property. GMC Landlord is a LLC, which is owned 90% by GMC BK, and 10% by GMC Master Tenant

(iii) GMC Master Tenant, LLC ("GMC Master Tenant")

GMC Master Tenant holds a 39-year sublease of the property from GMC Landlord. On August 8, 2013 Brooklyn Navy Yard HTC Investor, LLC was admitted to GMC Master Tenant as a 99% member with BNYDC owning 1%.

NOTE 1. ORGANIZATION *(Continued)*

Building 77 QALICB, Inc.

On December 10, 2014 BNYDC created a not for-profit company, Building 77 QALICB Inc. (77 Inc.), under the laws of the State of New York, to accept investments through two Community Development Entities (CDEs) in order to rehabilitate a building in the Navy Yard, known as Building 77. Those investments are eligible for tax credits pursuant to Section 45D of the Internal Revenue Code, ("IRC").

77 Inc., holds a 55-year sublease of Building 77 from BNYDC and has tax ownership of the property.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed by BNYDC are described below:

Revenue Recognition

Revenue from rental of space and other charges are recorded based on the lease agreements.

Accounts Receivables

The accounts receivables are stated at the amount management expect to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the respective accounts receivables account.

Principles of Consolidation

The accompanying consolidated financial statements include BNYDC, GMC BK, GMC Landlord, GMC Master Tenant and Building 77 QALICB, INC. Inter-company transactions and balances have been eliminated in consolidation.

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

Property and Leasehold Improvements

Machinery, office equipment, leasehold improvements/buildings and water/sewer systems are recorded at cost. Maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method based upon estimated useful lives, as follows:

Asset	Years
Machinery and Automobiles	3
Office Equipment	2-5
Lease-hold Improvements/Buildings	21-50
Water/Sewer Systems	21-75

Concentration of Credit Risk

BNYDC invests its cash in deposits with major financial institutions. The investments generally mature within 90 days and BNYDC has not experienced losses related to these investments.

Cash Equivalents

For the purpose of the consolidated statement of cash flows, BNYDC considers short-term investments with maturities of 90 days or less to be cash equivalents.

Fair Value Measurements (ASC 820)

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS 157 establishes a framework for measuring fair value and expands a framework for measuring fair value and expands disclosures about fair value measurements. The changes to current practice resulting from the application of this statement relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements.

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

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

- Level I input are quoted prices, (unadjusted) in active markets for identical assets or liabilities BNYDC have the ability to access.
- Level II inputs are inputs, (other than quoted prices included within Level I) that are observable for the asset or liability, either directly or indirectly.
- Level III inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Income Taxes

BNYDC is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to BNYDC's tax-exempt purpose is subject to taxation as unrelated business income. In addition, BNYDC qualifies for the charitable contribution deduction under Section 170 (b) (1) (a) and has been classified as an organization other than a private foundation.

BNYDC recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized.

Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. BNYDC does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

Generally the Internal Revenue Service, (IRS) may examine a tax return for three years from the date it is filed. At June 30, 2015, tax years ended June 30, 2014, 2013 and 2012 remained open for possible examination by the IRS.

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

Prior Year Summarized Information

The consolidated financial statements contain certain prior year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the BNYDC's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Use of Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Compliance with SFAS No. 168; The FASB Accounting Standards Codification

The consolidated financial statements of BNYDC are included in The City of New York Comprehensive Annual Financial Report of the Comptroller. Therefore, as a not-for-profit corporation, BNYDC is not required to comply with FASB ASC Topic 958.

Compliance with GASB 54

Because the consolidated financial statements of BNYDC are included in The City of New York Comprehensive Annual Financial Report of the Comptroller, BNYDC is required to disclose its fund balance, (Net Assets) as shown below:

	2015	2014
Nonspendable	$ 1,177,469	$ 1,190,362
Restricted	500,000	500,000
Committed	261,418,750	245,729,581
Assigned	13,582,990	19,454,006
Unassigned	8,410,315	5,946,692
Total Fund Balance	$ 285,089,524	$ 272,820,641

NOTE 3. PENSION PLAN

BNYDC has non-contributory defined contribution pension plans for its administrative employees and its security guards. The union plans for Local 3 and Local 30 are part of their negotiated fringe benefit packages and are accounted for therein. BNYDC's policy is to fund pension cost accrued and there are no unfunded vested benefits. The pension plan expense for the years ended June 30, 2015 and 2014 was $877,071 and $860,504, respectively.

NOTE 4. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents consisted of the following for the years ended June 30, 2015 and 2014:

	2015	2014
US Government Securities	$ 9,333,512	$ 6,336,842
FDIC Insured	1,317,290	1,343,611
Uninsured	572,702	871,420
	$ 11,223,504	$ 8,551,873

BNYDC maintains its cash in deposit accounts at high credit quality institutions.

Reserved Cash	2015	2014
US Government Securities	$ 40,153,416	$ 59,558,075
FDIC Insured	511,302	510,360
Uninsured	6,772,885	13,341,445
	$ 47,437,603	$ 73,409,880

Cash reserved for construction and building improvements at June 30, 2015 and 2014 was $46,937,603 and $72,909,880, respectively.

Pursuant to the lease agreement with The City of New York, BNYDC is required to maintain a cash balance of $5,000,000 in a reserve fund for the benefit of The City of New York. During the fiscal year 2012, BNYDC was granted permission by The City to utilize monies from the reserve to pay for City funded projects, leaving a balance of $500,000.

NOTE 5. COMMUNITY DEVELOPMENT NOTE RECEIVABLE

On September 6, 2012, BNYDC entered into a 30 year loan in the amount of $17,687,500, ("the Loan") with NMTC Investment Fund, LLC initially to assist in financing three different Community Development Entities, ("CDEs"). The loan agreement provides for interest at a rate of 1.263% per annum. Repayment is interest only payable annually on any outstanding balances until November 15, 2019, and thereafter payment of principal and interest until maturity date.

On December 22, 2014, BNYDC entered into a loan, maturing on January 1, 2042, in the amount of $10,337,861, ("the Loan") with BNY Building 77 NMTC Investment Fund, LLC initially to assist in financing two different Community Development Entities, ("CDEs"). The loan agreement provides for interest at a rate of 1.288% per annum. Repayment is interest only payable quarterly on any outstanding balances until January 1, 2022, and thereafter payment of principal and interest until maturity date.

NOTE 6. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Machinery and Vehicles	$ 1,882,282	$ 1,932,346
Office Equipment	1,583,938	1,253,644
Leasehold Improvements, Buildings, Water and Sewer	490,671,838	432,019,220
Total	494,138,058	435,205,210
Less: Accumulated Depreciation	(139,211,055)	(127,126,847)
	$ 354,927,003	$ 308,078,363

Depreciation Expense for 2015 and 2014 amounted to $15,909,008 and $15,446,743, respectively.

NOTE 7. UNEARNED REVENUE

At June 30, 2015, Unearned Revenue relates to:

	Current	Noncurrent
Contract with The City of New York for the Rehabilitation of Capital Assets	$ 15,095,065	$ -
WeWork/Boston Properties, LLC	1,095,000	-
Forty-five (45) year Lease Agreement with Cogeneration Partners	11,112	263,870
Total	$ 16,201,177	$ 263,870

At June 30, 2014, Unearned Revenue relates to:

	Current	Noncurrent
Contract with The City of New York for the Rehabilitation of Capital Assets	$ 16,613,196	$ -
WeWork Companies, LLC	95,000	-
Forty-five (45) year Lease Agreement with Cogeneration Partners	11,112	274,982
Total	$ 16,719,308	$ 274,982

NOTE 8. LEASE WITH THE CITY OF NEW YORK

BNYDC is the lessee of the premises known as the Brooklyn Navy Yard under the terms of a lease, ("Lease") with The City of New York, ("Lessor"). The Lease after exercising all renewal periods will expire as of June 30, 2111. The Lease was amended effective June 1, 1996, to require, among other things, payment of Annual Base Rent by BNYDC in the amount of either (i) 100% of Net Operating Income, (as defined in Section 4.01 B (ii) of the Lease), or (iii) in such other amount as may be agreed to in writing by the parties with respect to a specific Lease Year. The Management Contract between The City of New York and BNYDC, covering FY 2015, provides that if BNYDC maintains a balance of $5,000,000 in its Reserve Fund, then the Base Rent under the Lease for FY 2015

NOTE 8. LEASE WITH THE CITY OF NEW YORK *(Continued)*

is zero. As discussed in Note 4 above, the cash balance as of June 30, 2015 is $500,000. Since the reduction in the cash balance is with the approval of The City of New York, the base rent for FY 2015 remains at zero.

NOTE 9. CITY OF NEW YORK CAPITAL BUDGET

On June 30, 1996, BNYDC entered into the first in a series of annual management contracts with The City of New York for the replacement and rehabilitation of capital infrastructure to be funded from The City of New York's capital budget. For the years ended June 30, 2015 and 2014, BNYDC recognized $12,562,716 and $17,210,838, respectively, as capital contributions for rehabilitation work completed. Furthermore, the receivable from The City of New York for the rehabilitation work at June 30, 2015 and 2014 was $6,042,404 and $9,322,134, respectively.

NOTE 10. CAPITAL GRANTS

US Department of Homeland Security, Federal Emergency Management Agency

On October 29, 2012 Super-storm Sandy caused flooding at the Navy Yard. This unusual and infrequent disaster resulted in damages to the Navy Yard.

The US Department of Homeland Security, Federal Emergency Management Agency (FEMA) has awarded BNYDC capital funds to rehabilitate the Navy Yard. The funds are administered by the City of New York. FEMA will reimburse BNYDC for expenditures incurred in the rehabilitation program up to a maximum amount of $70,000,000 over the next few years.

During the year ended June 30, 2015, BNYDC was reimbursed and recognized $3,632,185 as capital contributions.

Other Capital Grants

During the year ended June 30, 2015, BNYDC received capital funds of $4,798,180 from Empire State Development Corporation and other grantors to facilitate improvements to the Navy Yard.

NOTE 11. RELATED PARTY - TAX CREDIT PROJECT

Nature of Operations

Under a master agreement established on September 6, 2012, BNYDC leased the Building located in the Navy Yard to an affiliate, GMC Landlord. GMC Landlord will rehabilitate the property and lease the commercial space to GMC Master Tenant. The property is owned by BNYDC. The Building is a certified historic structure. The cost to rehabilitate the building will provide eligible tax credits to investors.

Fees

BNYDC is set to earn a developer fee of $2,500,000 to oversee the rehabilitation of the building. This fee is to be paid upon satisfaction of certain conditions provided, however, that the total shall be due and payable no later than the tenth anniversary of the completion of the Building. As of June 30, 2015 and 2014, $2,427,500 and $1,325,000 respectively, was earned and unpaid.

BNYDC is also serving as a general contractor on the Building. For this effort, BNYDC will earn $8,000,000 for construction management fees. This fee is to be paid upon satisfaction of certain conditions provided, however, that the total shall be due and payable on the completion of the Building. As of June 30, 2015 and 2014, $7,768,000 and $4,213,600 respectively, was earned and unpaid.

Tax Credit Capital Contribution

On August 8, 2013, GMC Master Tenant's operating agreement was amended and restated to admit Brooklyn Navy Yard HTC Investor, LLC as its 99% investor member. This investor is required to make a capital contribution of $16,477,440. For the years ended June 30, 2015 and 2014, contributions of $321,152 and $2,974,335, respectively, were made.

On April 2, 2015, GMC Master Tenant entered into agreements to perform tenant improvement work for its tenant, New Lab, LLC. The operating agreement was amended and restated for the investor member to make an additional capital contribution of $3,837,595 towards the improvement work. As of June 30, 2015 an initial contribution of $767,521 was made.

NOTE 12. DEVELOPMENT LOANS

i. On October 2, 2009 BNYDC entered into a credit agreement with New York City Regional Center to borrow $60,000,000 to finance construction and building improvements in the Navy Yard and to repay a $25,000,000 JPMorgan Chase Bank loan. The agreement provides for interest only at a fixed rate of 3% per annum. Repayment is interest only, payable quarterly, on any outstanding balance until the maturity date at which time principal is payable. The maturity date is September 17, 2016, which may be extended at BNYDC's option for an additional five years at a rate not to exceed 6%. The collateral for this loan is the assignment of future rents.

ii. On July 26, 2012, BNYDC entered into a second credit agreement with New York City Regional Center to borrow $42,000,000 to finance improvements to a building in the Navy Yard. The agreement provides for interest at a fixed rate of 3% per annum. Repayment is interest only, payable quarterly, on any outstanding balance until the maturity date at which time principal is payable.

The collateral for this loan is the assignment of future rents, subordinate to the first credit agreement with the New York City Regional Center. As of June 30, 2015, the total amount borrowed was $41,500,000. On August 10, 2015, the final $500,000 was received. Thus the maturity date is August 15, 2020 which may be extended at BNYDC's option for an additional five years at a rate not to exceed 6%.

NOTE 13. COMMUNITY DEVELOPMENT LOAN

On September 6, 2012, GMC Landlord entered into six – 30 year loan agreements in the aggregate amount of $24,320,000 with three Community Development Entities to finance the rehabilitation of the Building. The agreements provide for interest at the rate of 1% per annum. Repayment is interest only, payable annually, on any outstanding balances until November 1, 2019, and thereafter payments of principal and interest until the maturity date.

On December 22, 2014, 77 Inc. entered into four – loan agreements, maturing on October 1, 2049, in the aggregate amount of $14,700,000 with two Community Development Entities to finance the rehabilitation of Building 77. The agreements provide for interest at the rate of 1% per annum. Repayment is interest only, payable quarterly, on any outstanding balances until January 5, 2022, and thereafter payments of principal and interest until the maturity date.

NOTE 14. LEASES WITH TENANTS

BNYDC has lease commitments from commercial tenants for space for periods ranging from one to more than fifty (50) years. Minimum future rental income from those leases is as follows:

2016	$ 28,079,980
2017	25,373,362
2018	21,158,926
2019	19,829,868
2020	17,499,887
2021-2026	80,088,503
2026-2031	67,945,429
2031-2036	58,665,755
2036-2041	58,748,565
2041-2046	44,447,222
2046-2051	32,491,654
2051-2056	35,721,466
2056-2061	39,753,161
2061-2066	43,729,489
2066-2069	27,824,004
	$ 601,357,271

NOTE 15. TENANT BANKRUPTCY

On March 19, 2014 a tenant, Surround Art Management, filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. At June 30, 2014 Surround Art Management's outstanding balances of $4,248,882 was fully provided for in the allowance for doubtful accounts.

NOTE 16. COMMITMENT AND CONTINGENCIES

BNYDC is involved in general liability insurance claims relating to damages suffered by tenants and various other legal matters which are being defended and handled in the ordinary course of business. The liability, if any, associated with each of these matters is capped at $50,000 per occurrence. Therefore, it is the opinion of management that their ultimate resolution will not have a materially adverse effect on BNYDC's financial position.

NOTE 17. SUBSEQUENT EVENT

In connection with the preparation of the consolidated financial statements, BNYDC evaluated subsequent events after the statement of financial position date of June 30, 2015 through September 3, 2015, which was the date the consolidated financial statements were available to be issued. BNYDC is aware of the following subsequent events that require disclosure in the consolidated financial statements.

On July 15, 2015, BNYDC entered into a third credit agreement with New York City Regional Center to borrow $30,000,000 to finance improvements to a building in the Navy Yard. The agreement provides for interest at a fixed rate of 4.20% per annum. Repayment is interest only, payable quarterly, on any outstanding balance until the maturity date at which time principal is payable. The maturity date is the fifth anniversary of the first advance of the loan, which may be extended at BNYDC's option for an additional five years at 4.20% per annum. The collateral for this loan is 77 Inc.'s contributions to BNYDC and the furniture, fixtures and equipment.

SUPPLEMENTARY INFORMATION

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
SCHEDULE OF PROPERTY MANAGEMENT REVENUE AND EXPENSES
For the year ended June 30, 2015
(With comparative totals for 2014)

	NAVY YARD CENTER AT 92	BNYDC	2015	2014
REVENUE	$ 593,773	$ 34,674,963	$ 35,268,736	$ 35,076,968
Direct Expenses				
Electricity Purchased	51,141	4,341,739	4,392,880	4,951,059
Steam Purchased	-	1,320,746	1,320,746	2,110,195
Water Purchased	-	733,930	733,930	704,498
Payroll and Related Fringe Benefits:				
Protective Services	90,337	2,768,659	2,858,996	2,987,222
Maintenance, Utilities, and Engineering	42,320	2,977,240	3,019,560	2,804,452
Fringe Benefits	62,070	2,688,685	2,750,755	2,880,638
Other Direct Expenses				
Materials, Supplies, and Building Maintenance	49,923	2,661,787	2,711,710	2,844,602
Events, Programs & Exhibits	223,129	-	223,129	245,349
Property Insurance	10,087	1,276,933	1,287,020	1,375,198
Brokerage Fees			22,107	-
Bad Debt	4,290	1,093,676	1,097,966	1,788,996
Total Direct Expenses	533,297	19,863,395	20,418,799	22,692,209
Revenue from Operations	60,476	14,811,568	14,849,937	12,384,759
General and Administrative Expenses				
Personnel and Fringe Benefits	834,588	5,147,967	5,982,555	5,073,875
Other	308,487	1,985,145	2,293,632	1,968,277
Total General and Administrative Expenses	1,143,075	7,133,112	8,276,187	7,042,152
Excess of Revenue Before Other Income and Expense	(1,082,599)	7,678,456	6,573,750	5,342,607
OTHER INCOME AND (EXPENSES)				
Interest Income	-	280,430	280,430	252,696
Interest Expense	-	(758,043)	(758,043)	(756,054)
Depreciation and Amortization	-	(15,909,008)	(15,909,008)	(15,446,743)
Total other Income and (Expenses)	-	(16,386,621)	(16,386,621)	(15,950,101)
Deficiency of Revenue Over Expenses and Loss Before Capital Contributions and Transfers	$ (1,082,599)	$ (8,708,165)	$ (9,812,871)	$ (10,607,494)

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
For the years ended June 30, 2015 and 2014

	2015	2014
PERSONNEL AND FRINGE BENEFIT EXPENSES		
Executive and Legal	$ 1,261,440	$ 1,014,511
Finance and Leasing	1,131,202	1,108,389
Human Resource	261,934	193,577
Development and External Affairs	804,201	507,692
Technology and Information	198,766	149,308
Building 92 and Employment Center	562,087	585,884
Payroll Taxes and Fringe Benefits	1,974,365	1,770,340
Total	6,193,995	5,329,701
Less Payroll and Related Costs Capitalized	(211,440)	(255,826)
Total Personnel and Fringe Benefit Expenses	5,982,555	5,073,875
OTHER EXPENSES		
Legal	534,069	468,133
Accounting and Auditing	38,450	38,450
Computer Supplies/Contract	458,713	350,394
Postage	19,057	14,234
Telephone and Communication	102,320	89,019
Director's Liability Insurance	10,000	10,000
Corporate	90,939	80,188
Board	1,848	1,581
Community Employment	229,078	242,350
Advertising and Marketing	206,129	183,034
Stationery and Office Supplies	74,138	73,376
Consultants	185,902	7,500
Gasoline	78,372	156,608
Vehicle Repairs	158,399	155,003
Payroll Processing	28,760	21,308
Education and Training	38,348	35,733
Miscellaneous	120,084	140,330
Total	2,374,606	2,067,241
Less: other Expenses Capitalized	(80,974)	(98,964)
Total Other Expenses	2,293,632	1,968,277
Total General and Administrative Expenses	$ 8,276,187	$ 7,042,152

GOVERNMENT REPORT SECTION

NOTE 1. OVERVIEW OF SCHEDULE

The Accompanying Schedules of Expenditures of Federal Awards present the activities of all federal assistance program of the Brooklyn Navy Yard Development Corporation, ("BNYDC"). The reporting entity is defined in Note 1 of Notes to the Financial Statements. All federal assistance received as federal assistance passed through other government agencies is included in the accompanying schedule of expenditures of federal awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting which is described in Note 1 of Notes to the Financial Statements.

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2015

Federal Grantor / Program Title	Federal CFDA Number	Pass-through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Awards Amount	Total Expenditures
U.S. Department of Homeland Security:					
Passed through New York State Office of Emergency Management					
Disaster Grant - Public Assistance	97.036	PA-02-NY-4085	10/2012 - 12/2016	$ 4,035,762	$ 3,632,186

See paragraph on required supplementary information included in auditor's report.

Deans • Archer & Co.

CERTIFIED PUBLIC ACCOUNTANTS

265 East Merrick Road - Suite 205
Valley Stream, New York 11580
(516) 872-6922/FAX: (516) 872-6925
EMAIL: deansarcher@deansarcher.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *"GOVERNMENT AUDITING STANDARDS"*

To the Board of Directors of
Brooklyn Navy Yard Development
Corporation
Brooklyn, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brooklyn Navy Yard Development Corporation, ("BNYDC"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated September 3, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brooklyn Navy Yard Development Corporation, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BNYDC's, internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BNYDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of Management, the Audit Committee, Board of Directors, the City of New York, the U.S. Department of Homeland Security, the State of New York, and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deans Archer & Co

Valley Stream, New York
September 3, 2015

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CERTIFIED PUBLIC ACCOUNTANTS
265 East Merrick Road
Valley Stream, New York 11580
(516) 872-6922/FAX: (516) 872-6925

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB *CIRCULAR A-133*

To the Board of Directors of
Brooklyn Navy Yard Development
Corporation
Brooklyn, New York

Report on Compliance for Each Major Federal Program

We have audited Brooklyn Navy Development Corporation, ("BNYDC"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of BNYDC's major federal program for the year ended June 30, 2015. BNYDC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for BNYDC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BNYDC's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of BNYDC's compliance.

Opinion on Each Major Federal program

In our opinion, BNYDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of BNYDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered BNYDC's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BNYDC's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Valley Stream, New York
September 3, 2015

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	*Unmodified*	
Internal control over major programs:		
Material weakness(es) identified?	____Yes	✓ No
Significant deficiency(ies) identified that are Not considered to be material weaknesses?	____Yes	✓ None Reported
Non-compliance material to financial statements noted	____Yes	✓ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____Yes	✓ No
Reportable condition(s) identified that are Not considered to be material weaknesses?	____Yes	✓ No
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section, 510(a)	____Yes	✓ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grant – Public Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as a low-risk auditee	____Yes	✓ No

BROOKLYN NAVY YRAD DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2015

CURRENT YEAR FINDINGS

None reported

BROOKLYN NAVY YARD DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2015

PRIOR YEAR FINDINGS

N/A