



Hugh L. Carey Battery Park City Authority (A Component Unit of The State of New York)

Audit Results For the Year Ended October 31, 2025

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January 28, 2026

Your Engagement Leadership Team



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Specialist & Tools: Harvest Team - An integral part of CBIZ's investment services. Using the Harvest toolkit provides advanced technology for the valuation and management of client investment portfolios.

Agenda

- Executive Summary - Exit Meeting
- Required Communications to the Audit & Finance Committee
 - Service Delivery Timeline
 - Audit Results
 - Management's Estimates, Judgments & Other Areas
- Draft Reports:
 - Tab 1 - Financial Statements as of and for the Years Ended October 31, 2025 and 2024
 - Tab 2 - Draft Report on Compliance with Investment Guidelines
 - Tab 3 - Draft Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
 - Tab 4 – Update on Prior Year Technology Related Recommendations
- Next Steps in the Service Cycle
- Executive Session
- Appendices
 - A. Background on CBIZ and CBIZ CPAs
 - B. Keeping You Informed & Supporting Innovation
 - C. Commitment to Diversity & Inclusion
 - D. Draft Management Representation Letter

Executive Summary

The purpose of this presentation is to provide the results of the audit of the financial statements of the Authority for the year ended October 31, 2025, together with providing insights, management comments, and other perspectives

Service Delivery Timeline

Attest Services	2025	2024
Interim Review – April 30:		
Initial trial balance and review workpapers provided to our audit team	June 24, 2025	June 24, 2024
Draft review report received from management	July 22, 2025	July 23, 2024
Presentation of draft review report to the Audit & Finance Committee	October 1, 2025	September 10, 2024
Issuance of review report	October 28, 2025	September 27, 2024
Audit – October 31:		
Planning meeting with Audit & Finance Committee	October 1, 2025	September 10, 2024
Year-end audit fieldwork start	December 15, 2025	December 11, 2024
Draft financial statements received from management	January 9, 2026	January 6, 2025
Audit presentation materials provided to management	January 22, 2026	January 21, 2025
Post-audit communication to the Audit & Finance Committee	January 28, 2026	January 28, 2025
Issuance of financial statements	January 30, 2026	January 30, 2025

Audit Results

Matter	Conclusion
Opinion on Financial Statements and Footnotes	<p>We have substantially completed our evidence gathering process for us to provide reasonable assurance that the financial statements are free from material misstatement whether caused by error or fraud</p> <p>We will be prepared to issue our auditors' report that includes an opinion that the financial statements are fairly stated in all material respects in accordance with accounting principles generally accepted in the United States of America (U.S.GAAP) upon your approval for issuance together including with the completion of the open items listed below:</p> <ol style="list-style-type: none">1. Finalization of review by independent Engagement Quality Reviewer (EQR).2. Approval by the Committee and Members3. Receipt of the signed management representation letter4. Receipt of third-party confirmation from BNY Mellon for the Authority's investments and bonds payable5. Receipt of several legal letters and legal letter from the Authority's General Counsel.6. Finalization of post balance sheet review inquiries and procedures. <p>We expect that there will be no deviations in the proposed audit report, meaning this report is considered "clean" or "unmodified."</p>

Audit Results

Matter	Conclusion
Other Matters	<ol style="list-style-type: none">1. No instances of fraud or illegal acts were noted2. No material uncertainties were noted3. No significant changes were required to our planned audit strategy or areas of significant risk of material misstatement discussed in our planning communication
Reporting on Investment Compliance	<ol style="list-style-type: none">1. In connection with our audit, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with the terms, covenants, provisions or conditions of its Investment Guidelines insofar as they relate to accounting matters.
Reporting under Government Auditing Standards	<ol style="list-style-type: none">1. No instances of noncompliance or other matters identified and reported.2. No matters relative to internal controls identified and reported from our consideration of controls over financial reporting assessed during the audit.

Audit Results

Matter	Conclusion
Required Supplemental Information	<p>With respect to the required supplementary information (including management's discussion and analysis) accompanying the basic financial statements, we have applied certain limited procedures including:</p> <ol style="list-style-type: none">1. Making inquiries of management about the methods of preparing the information.2. Comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements.3. 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.

Audit Results

Accounting Policies

- Significant accounting policies are disclosed in Note 3.
- There were no changes or adoption of new accounting policies that had an impact on the financial statements.

Significant Unusual Transactions

- Refer to the next slide.

Alternative Accounting Policies

- No alternative accounting policies were discussed with management.

We consider management's communications with those charged with governance to be in line with best practices

Our responsibilities were covered in our planning meeting with the Audit & Finance Committee at the start of the audit process.

Audit Results

Significant Unusual Transactions

As disclosed in Note 14(a) to the Financial Statements. In July 2025, the Authority was made aware of a cyber incident that affected several ground leases in Battery Park City. A managing agent contracted by nine ground leases misdirected approximately \$18 million in ground rent and PILOT payments due to the Authority to a fraudulent bank account. The Authority's cyber infrastructure was not compromised, and the Authority has otherwise received all payments due from its ground lessees. The Authority is cooperating with the law enforcement investigation and the affected ground lessees and ultimately expects to receive the misdirected funds in full.

Audit Results

Matter	Conclusion
Auditor Detected Adjustments Recorded	None
Waived Adjustments not Recorded	None
Financial Statement Disclosures	<p>The disclosures are neutral, consistent, and clear.</p> <p>We consider the following disclosures to be particularly sensitive:</p> <ul style="list-style-type: none">• Note 14(a) – Rents and Other Receivables• Note 21 – Litigation
Other Information in Documents Containing Audited Financial Statements	<p>Management has indicated that they have not posted or published data that contain the audited financial statements or like reporting. We have indicated that we must do a consistency read if such data is posted or published in the future.</p>
Related Party Matters and Conflict of Interest Practices	No matters were noted.

Audit Results

Matter	Conclusion
Disagreements with Management	None
Management Consultations with Other Independent Accountants	None per management
Auditor Consultations Outside Engagement Team	We utilized a CBIZ actuary to review the assumptions and estimates used by the Authority's actuary to calculate the OPEB costs and liabilities. In addition, Harvest Investments, Ltd. was used as an auditor specialist to test the fair value and hierarchy classifications of the Authority's investments.
Issues Discussed Conditional to Our Retention	None
Significant Difficulties Encountered	None

Management's Estimates & Judgments

Certain aspects of accounting are more qualitative and thus require more judgment and estimation by management. The following items represent the more significant qualitative areas:

Management's Estimates & Judgments	Audit Results
<p>OPEB Liability: (Important Judgment)</p>	<p>The Authority provides other postemployment benefits ("OPEB") to its employees and retirees through the New York State Health Insurance Program (the "Program"). In accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"), the Authority recognizes a net OPEB liability measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.</p> <p>The total OPEB liability is determined through an actuarial valuation. As no assets are accumulated in a trust for such OPEB benefits, the total OPEB liability is equal to the Organization's net OPEB liability. As of October 31, 2025, the Organization recognized a total OPEB liability of approximately \$46.2 million.</p> <p>A consultation was conducted to evaluate the assumptions and estimates used by the actuary to calculate the OPEB costs and liabilities. Based on the actuarial review, management's estimates of the liability appear reasonable and in accordance with the provisions of GASB 75.</p>

Management's Estimates & Judgments

Management's Estimates & Judgments	Audit Results
<p>Recoverability Period of Project Assets and Construction In Progress (Important Judgment)</p>	<p>Depreciation of project assets is being provided for by the straight-line method over the estimated useful lives of the related assets, which are the original termination date of the Master Lease (to 2069) for site improvements, 50 years for residential building and through the first appraisal date of each lease for condominium units.</p> <p>Our procedures performed included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Authority's capitalization and depreciation policy. • We obtained the details on additions during the year, including capitalized costs, and reviewed supporting documentation. • We tested the calculation of depreciation. <p>Based on our audit procedures performed management's estimates of useful lives of the assets appear reasonable as of October 31, 2025.</p> <p>As of October 31, 2025, construction in progress (CIP) amounts of approximately \$391.1 million which consists primarily of the resiliency projects that are estimated to be completed in stages by 2030. Such costs will be placed in service and depreciated in future years upon management's estimate of the substantial completion of different components of the resiliency projects.</p>

Management's Estimates & Judgments

Management's Estimates & Judgments	Audit Results
<p>Pension Benefits (Important Judgment)</p>	<p>The Authority's eligible employees are eligible for pension benefits through the New York State and Local Retirement System ("NYSLRS"), a cost-sharing multiple employer defined benefit pension plan.</p> <p>Employers participating in cost-sharing plans are required to recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation methodology. In determining the amount of expense and liability to be recorded for NYSLRS, the NYSLRS' actuary makes assumptions or estimates for rates of return on assets, future compensation increases, etc. Based on these estimates, the Organization records its proportionate share of the expense and liability for these benefits.</p> <p>As of October 31, 2025, the Authority's proportionate share of the net pension liability to NYSLRS amounted to approximately \$5.7 million (the prior year net pension liability was approximately \$4.7 million). The increase to the liability is primarily a function of the changes in actuarial assumptions. Based on our audit procedures and evaluation of such assumptions and estimates used to calculate benefit costs and liabilities, management's estimates of the net pension liability appear reasonable.</p>

Management's Estimates & Judgments

Management's Estimates & Judgments	Audit Results
Leases (GASB 87) (Important Judgment)	<p>Lease accounting requires management to determine the appropriate borrowing rate used to discount leases as well as the lease term. Determining the lease term requires judgments about renewals or termination options. There were amendments to leases for three sites of which the Authority is lessor in FY 2025 that required adjustments to the related discount rates. Management estimated the discount rates using the weighted-average cost of capital, provided by its investment advisor, that correlates to the dates of the signed lease amendments.</p>
Allowance for Doubtful Rents and Other Receivables (Important Judgment)	<p>Management determined that an allowance for doubtful rents and other receivables of approximately \$4.9 million was necessary at October 31, 2025 (the prior year allowance was approximately \$26.2 million).</p> <p>Management calculates an allowance for doubtful receivables based on management's assessment of the aged basis of its receivables, creditworthiness of tenants, current economic conditions and historical information.</p> <p>See slide 17 for the details of the rents and other receivables and allowance for doubtful receivables as of October 31, 2025 and 2024, respectively.</p>

Management's Estimates & Judgments

The details of accounts receivable as of October 31, 2025 and 2024, respectively:

	2025	2024	Variance
Rents Receivable	\$ 30,772,959	\$ 34,724,931	\$ (3,951,972)
Interest Receivable	591,763	400,491	191,272
Miscellaneous Receivables	<u>83,325</u>	<u>83,328</u>	<u>(3)</u>
Total Rents and Other Receivables	31,448,047	35,208,750	(3,760,703)
Less Allowance for Doubtful Accounts	<u>(4,852,011)</u>	<u>(26,207,453)</u>	<u>21,355,442</u>
Rents and Other Receivables, Net	26,596,036	9,001,297	17,594,739
Allowance for Doubtful Accounts, End of Year	(4,852,011)	(26,207,453)	21,355,442
Allowance for Doubtful Accounts, Beginning of Year	<u>(26,207,453)</u>	<u>(22,870,026)</u>	<u>(3,337,427)</u>
Net Increase (Decrease) in Allowance	(21,355,442)	3,337,427	(24,692,869)
Write-offs of Fully Reserved Receivables	13,361,451	-	13,361,451
Direct Write-Offs of Receivables	<u>(933,395)</u>	<u>2,310,852</u>	<u>3,244,247</u>
Provision for Doubtful Accounts	\$ (8,927,386)	\$ 5,648,279	\$ (14,575,665)

Management's Estimates & Judgments

Days Outstanding:

	2025	2024	Variance
Rents and Other Receivables, Net of Allowance	\$ 26,596,036	\$ 9,001,297	\$ 17,594,739
Revenue from Ground Leases	444,858,219	425,900,426	18,957,793
Days Outstanding	15	8	7

Our procedures performed included the following:

- We reviewed subsequent cash receipts.
- We reviewed aging reports.
- We analyzed write offs and discussed with management.

Based on our audit procedures, performed management's estimate for the allowance for doubtful accounts appear reasonable as of October 31, 2025. The significant reduction in the allowance of \$21.4M is primarily due to the collection of rent upon the settlement of the bankruptcy associated with the Wagner Hotel and the write-off of receivables due from Pier A. The increase in ending accounts receivable and days outstanding relates to the \$18 million in payments that were not received in July 2025 as further disclosed in slide 10.

We have assessed these areas in considering the overall fairness and completeness of the financial statements taken as a whole.

Management Letter Comments

We are pleased to share our insights following our audit procedures. While our primary objective is to provide an opinion on the financial statements, we may identify matters during our work that need to be communicated to those overseeing the financial reporting process. These matters are defined below. In addition, we make it a priority to share best practices that we believe can enhance internal control efficiencies or business operations for the overall benefit of the Authority.

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 financial statements will not be prevented, or detected and corrected, on a timely basis.

- We did not identify any deficiencies in internal control that we consider to be material weaknesses



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.

- Comments at this level are indicated as such when applicable.



Best Practices
Other matters that can enhance control internal efficiencies, believe can or business operations



Included on Tab 4, we also provide the status of prior year technology related recommendations.

See the following pages for our commentary