

United Nations
Development Corporation

Two United Nations Plaza
27th Floor
New York, New York
10017

Telephone: 212-888-1618



April 1, 2026

The Honorable Kathy Hochul
Governor of the State of New York
State Capitol Building
Albany, NY 12224

Re: Annual Report of the United Nations Development Corporation For FY 2025

Dear Governor Hochul:

I am pleased to present to you the annual report of the United Nations Development Corporation (the "Corporation") for its fiscal year ended December 31, 2025.

Background

The Corporation is a public benefit corporation organized and existing under the laws of the State of New York (the "State"), including particularly Chapter 345, Laws of New York, 1968, as amended (the "Act"), to undertake coordinated development of office space and other facilities in the area of the United Nations headquarters in the City of New York (the "City") needed for the official international community in the City, including the United Nations (the "U.N."), missions to the U.N. and U.N.-related programs and activities. In addition, the Corporation provides real estate advice and services to the State and City, the United States, and the U.N. The Corporation enables the people of the State and City to meet their responsibilities as hosts to the U.N., and to provide suitable facilities for the international community near the U.N. headquarters.

The Corporation is governed by a board of directors (the "Board") consisting of fifteen members who serve without compensation. Eight members are appointed by the Governor of the State, five are appointed by the Mayor of the City (the "Mayor") after consultation with the Secretary-General of the U.N. and the United States Ambassador to the U.N., and two serve *ex officio* by virtue of their offices as Chairman of the New York City Planning Commission and Commissioner of the New York City Department of Housing Preservation and Development. The Mayor designates one of the members appointed by the Mayor as Chair. A listing of the Corporation's current Board members and officers is attached.

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The UNDC Properties

Pursuant to the Act, the Corporation has: (1) developed One U.N. Plaza (sometimes referred to as the Phase I Property), a 39-story, combined-use office building and hotel located on the northwest corner of First Avenue and 44th Street, which opened in 1975; (2) developed Two U.N. Plaza (sometimes referred to as the Phase II Property), a 40-story, combined-use office building and hotel, located between East 44th and 45th Streets, west of and adjacent to One U.N. Plaza, which opened in 1983; and (3) developed Three U.N. Plaza (sometimes referred to as the Phase III Property), a 15-story office building, with an adjacent urban plaza, located on the south side of East 44th Street, between First and Second Avenues, across from One and Two U.N. Plaza, which opened in 1987. Each of these properties is located across First Avenue from the U.N. headquarters in the City. The three properties are referred to collectively herein as the “UNDC Properties.”

The Corporation transferred its interests in the UNDC Properties to the City and leased back the same for 99 years under the City Leases as described below.

One U.N. Plaza includes approximately 420,000 rentable square feet of office space located on floors 2 through 26, approximately 210,000 square feet of hotel space located on floors 2 and 27 through 39, and separate ground floor office and hotel lobby areas. In 1997, the hotel portion of One U.N. Plaza was sold to a private hotel operator (the “Hotel Operator”) and One U.N. Plaza was converted into a condominium with two condominium units, one unit consisting of the hotel portions of the building and the second consisting of the office space and the other portions of One U.N. Plaza.

Two U.N. Plaza includes approximately 450,000 rentable square feet of office space located on floors 2 through 28, approximately 200,000 square feet of hotel space located on floors 29 through 40, separate ground floor office and hotel lobby areas, approximately 11,000 square feet formerly used as a pre-school, and approximately 10,000 square feet of storage space. In 1997, the hotel portion of Two U.N. Plaza was leased to the Hotel Operator under a long-term prepaid net lease.

Three U.N. Plaza includes approximately 205,000 square feet of office space, with an adjacent public plaza of approximately 5,000 square feet.

Operations

The Corporation operates and maintains the non-hotel portions of One and Two U.N. Plaza, and all of Three U.N. Plaza. The Corporation’s principal tenants are the U.N. and foreign missions to the U.N. The United Nations Children’s Fund (“UNICEF”) leases and occupies all of the office space in Three U.N. Plaza.

Upon the expiration of the Three UN Plaza UNICEF Lease on July 2, 2026 and the satisfaction of

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certain conditions, title to Three U.N. Plaza will be transferred to UNICEF without payment to the Corporation. UNICEF will be responsible for the operation of Three U.N. Plaza following the transfer of title on July 2, 2026.

In February of 2025, the U.N. and the United Nations Development Programme, the U.N.'s primary development agency, signed new long-term leases at One and Two UN Plaza. A description of the new leases and comprehensive renovation program at One and Two U.N. Plaza is provided in the audited financial statements attached to this report.

The City Leases

Under a lease with the City for the Phase I Property, the Corporation pays the City base rent for the portion of One U.N. Plaza which it operates that is not occupied by the U.N., missions to the U.N., or U.N.-related programs and activities.

Under a lease with the City for the Phase II Property, the Corporation pays the City base rent for the portion of Two U.N. Plaza that is not occupied by the U.N., missions to the U.N., or U.N.-related programs and activities, and not devoted to community facility use. In addition, the Corporation pays additional rent from surplus funds in the manner described in the lease. The land on which Two U.N. Plaza is constructed is owned by a private entity and leased to the Corporation. The Corporation pays the City full real estate taxes on this land.

Under a lease with the City for the Phase III Property, the Corporation pays the City a fixed rental amount with respect to Three U.N. Plaza.

The Corporation's payments to the City for the year ended December 31, 2025 totaled \$3,336,855, consisting of \$1,725,900 in base rent, and \$1,610,955 in real estate taxes.

Bonds Outstanding

As of December 31, 2025, the Corporation had the following bonds outstanding: 2025 Bonds, Series A (Federally Taxable) (the "2025 Bonds"), in principal amount of \$365,000,000.

Financial Report

The Corporation's financial statements for the years ended December 31, 2025 and 2024 were audited by CBIZ CPAs P.C. and approved by the Board at its annual meeting on March 31, 2026. A copy of the audited financial statements is attached to this report.

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Respectfully submitted,



Robert Cole
Executive Vice President & General Counsel

Attachments:

1. List of current directors and officers
2. Audited financial statements for the years ended December 31, 2025 and 2024

**UNITED NATIONS DEVELOPMENT CORPORATION
DIRECTORS AND OFFICERS**

DIRECTORS:

<u>Name</u>	<u>Original Date of Appointment</u>	<u>Occupation/Affiliation</u>
Mayor's Appointees:		
Emerita Torres, Chair	03/2026	New York State Assemblymember
Ana Maria Archila	03/2026	Commissioner, New York City Mayor's Office of International Affairs
Joseph Borelli	09/2025	Managing Director, Chartwell Strategy Group
Aissata M.B. Camara	11/2025	CEO, Kakande, LLC
Joel M. Silverman	03/2012	Joel M. Silverman and Associates, LLC
Ex-Officio:		
Sideya Sherman	02/2026	Chair, New York City Planning Commission
Dina Levy	01/2026	Commissioner, New York City Department of Housing Preservation & Development
Governor's Appointees:		
Jan Burman	10/2013	Chairman, B2K Development
Amabel B. James	12/2014	James Family Foundation
David S. Mack	10/2017	The Mack Company
Carolyn Maloney	11/2024	Former Congresswoman, Eleanor Roosevelt Distinguished Leader in Residence at the Roosevelt House
Samuel Natapoff	12/2010	President, Empire Global Ventures LLC
Joseph Rutigliano	09/2015	Managing Member, Ruterra Partners, LLC
Andy K. Shenoy	12/2010	Executive Director, Trivision Health Center
VACANCY		

**UNITED NATIONS DEVELOPMENT CORPORATION
DIRECTORS AND OFFICERS**

OFFICERS:

Robert Cole, Executive Vice President and General Counsel. Mr. Cole has been associated with the Corporation since 2004.

Kim Whyte, Controller. Ms. Whyte has been associated with the Corporation since 2025.

Loida Diaz-de Jesus, Senior Vice President. Ms. Diaz has been associated with the Corporation since 2005.



United Nations Development Corporation

Financial Statements (Together with Independent Auditors' Report)

For the Years Ended December 31, 2025 and 2024

and Supplemental Schedule

For the Year Ended December 31, 2025



United Nations Development Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
United Nations Development Corporation
New York, NY

Opinion

We have audited the financial statements of United Nations Development Corporation (the "Corporation") as of and for the years ended December 31, 2025 and 2024 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 28 and 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CBIZ CPAs P.C.

New York, NY
April 3, 2026

United Nations Development Corporation

Management's Discussion and Analysis (Unaudited)

Overview

The following is an overview of the activities and financial performance of the United Nations Development Corporation (the "Corporation") for the years ended December 31, 2025 and 2024. It should be read in conjunction with the Corporation's financial statements that follow this section. The financial statements, which include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and notes to financial statements, provide information in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Corporation

The Corporation is a body corporate and politic constituting a public benefit corporation organized and existing under the laws of the State of New York (the "State"), including particularly Chapter 345, Laws of New York, 1968, as amended. The Corporation was created to undertake coordinated development of office space and other facilities in the area of the United Nations ("UN") headquarters in The City of New York (the "City") to support the official international community in the City, including the UN, missions to the UN and UN-related programs and activities (together, the "UN Community").

UNDC Properties

The Corporation developed and operates certain properties described below and known as "One UN Plaza," "Two UN Plaza" and "Three UN Plaza" (collectively, the "UNDC Properties") and leases such properties to the UN and certain members of the UN Community.

One UN Plaza. One UN Plaza is a 39-story mixed-use office building and hotel located on East 44th Street and First Avenue in Manhattan, across the street from the UN headquarters. One UN Plaza opened in 1975 and includes approximately 420,000 rentable square feet of office space, along with approximately 210,000 square feet of hotel space, and separate ground floor lobby areas for the office and for the hotel. One UN Plaza is separated into two condominium units pursuant to a Declaration of Condominium, dated June 5, 1997, as amended, with the hotel portion constituting one condominium unit and the balance of the building (except for common areas) constituting the other condominium unit. In 1997, the Corporation sold the Hotel Unit to its current owner, RHM-88, LLC, which is affiliated with Millennium & Copthorne Hotels, a wholly-owned subsidiary of City Developments Limited of Singapore.

Two UN Plaza. Two UN Plaza is a 40-story mixed-use office building and hotel located west of and adjacent to One UN Plaza on 44th Street and extends north to 45th Street. Two UN Plaza opened in 1983 and includes approximately 450,000 rentable square feet of office and approximately 200,000 square feet of hotel space. Two UN Plaza also has separate ground floor lobbies for the office and hotel components, and approximately 10,000 square feet of storage space.

Three UN Plaza. Three UN Plaza is a 15-story office building with an adjacent urban plaza located on the south side of East 44th Street between First and Second Avenues, across from One and Two UN Plaza. Three UN Plaza opened in 1987 and includes approximately 205,000 square feet of office space. All of Three UN Plaza is leased to UNICEF as its world headquarters. The Corporation and the City have agreed that upon the expiration of the UNICEF Lease in 2026, and subject to certain conditions being met, including compliance by UNICEF with its obligations under the UNICEF Lease and maintenance of UNICEF's world headquarters in the City, UNICEF will obtain ownership of Three UN Plaza, without payment by UNICEF for the transfer.

United Nations Development Corporation

Management’s Discussion and Analysis (Unaudited)

The Corporation is governed by a 15-member Board of Directors. Of the 15 members, two serve as *ex officio* members by virtue of their respective offices as Commissioner of the New York City Department of Housing Preservation and Development and as Chair of the New York City Planning Commission, eight are appointed by the Governor of the State and five (including the Chair of the Board), are appointed by the Mayor of the City.

United Nations Occupancy at the UNDC Properties

Since their construction, the office portions of the UNDC Properties have been occupied by the UN and members of the UN Community, with a campus-like environment to facilitate their work.

In late 2021, the UN advised the Corporation that it would not renew its lease at One UN Plaza upon its expiration on March 31, 2023. Instead, the UN planned to enter into a new lease for all space it occupied at Two UN Plaza, and consolidate staff from offices at One UN Plaza and other Manhattan locations into Two UN Plaza. At that time, the United Nations Development Programme (“UNDP”), the UN’s lead agency for international development and a subtenant of the UN at One UN Plaza since 1982, advised that it was considering a lease at One UN Plaza for UNDP’s world headquarters. The UN extended the term of its One UN Plaza Lease for space occupied by UNDP and other UN organizations that were UN subtenants, and the term of the Two UN Plaza UN Lease for all space under lease, in each case from April 1, 2023 through April 30, 2025, at existing rents and other terms.

Key Events in 2025

In February 2025, the Corporation entered into a new lease with UNDP (the “New UNDP Lease”) for approximately 60% of the leasable office space at One UN Plaza and a new lease with the UN (the “New UN Lease”; collectively, the “New UN/UNDP Leases”) for substantially all of the leasable office space at Two UN Plaza. The New UN/UNDP Leases were effective on April 30, 2025 upon the issuance of the 2025 Bonds as described below. Under the New UN/UNDP Leases, the Corporation is obligated to undertake certain improvements to One UN Plaza and Two UN Plaza and to provide the UN and UNDP with certain tenant incentives in the form of free rent and a tenant improvement allowance to fund improvements that they will undertake in their leased premises. The New UN/UNDP Leases each expire in 2040, subject to two 5-year extension rights on the part of the tenants.

The Corporation issued \$365 million aggregate principal amount of federally taxable bonds (the “2025 Bonds”) on April 30, 2025 under an Indenture of Trust and a First Supplemental Indenture of Trust. A portion of the proceeds of the 2025 Bonds, together with other available cash reserves of the Corporation and surplus cash flow revenues, are being used to finance certain building-wide renovations and capital improvements to the common areas in One UN Plaza and Two UN Plaza, as well as improvements to the space in One UN Plaza and Two UN Plaza that is being leased to the UN and UNDP pursuant to the New UN/UNDP Leases (collectively, the “Project”). More specifically, the Project consists of improvements to update building systems in compliance with NYS BuildSmart 2025 and State energy code requirements, updates to conform to current fire safety and disability codes and regulations, renovations to entryways, storage facilities, lavatories and common areas, and the provision of indoor bicycle parking. The Project also includes the funding of tenant improvement allowances that the UN and UNDP will use to modernize their premises under the New UN/UNDP Leases.

The amount expended for development-in-progress for the Project as of December 31, 2025 was \$77.0 million.

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Management's Discussion and Analysis (Unaudited)

Summary Statements of Net Position

The following Summary Statements of Net Position presents the financial position of the Corporation. The net position is the difference between (i) total assets and deferred outflows of resources and (ii) total liabilities plus deferred inflows of resources.

A comparison of the Corporation's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at December 31 is as follows:

Assets:	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current assets	\$ 18,504,437	\$ 23,331,718	\$ 19,040,677
Restricted assets	438,069,863	124,034,025	128,519,078
Property and equipment, net	104,124,924	49,674,268	43,782,313
Other noncurrent assets	252,973,600	8,514,659	15,292,098
Total assets	<u>813,672,824</u>	<u>205,554,670</u>	<u>206,634,166</u>
Deferred outflows of resources			
Unamortized loss on bond refunding	<u>27,231</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 813,700,055</u>	<u>\$ 205,554,670</u>	<u>\$ 206,634,166</u>
Liabilities:			
Total current liabilities	\$ 24,993,078	\$ 18,165,908	\$ 17,374,994
Total noncurrent liabilities	361,937,886	7,884,349	16,713,273
Total liabilities	<u>386,930,964</u>	<u>26,050,257</u>	<u>34,088,267</u>
Deferred inflows of resources			
Unamortized gain on bond refunding	-	81,229	239,819
Leases	<u>239,249,973</u>	<u>6,025,871</u>	<u>7,363,711</u>
Total deferred inflows of resources	<u>239,249,973</u>	<u>6,107,100</u>	<u>7,603,530</u>
Net position	<u>187,519,118</u>	<u>173,397,313</u>	<u>164,942,369</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 813,700,055</u>	<u>\$ 205,554,670</u>	<u>\$ 206,634,166</u>

2025 vs. 2024

At December 31, 2025, the Corporation had total assets of \$813.7 million, an increase of \$608.1 million from \$205.6 million at December 31, 2024.

Current assets were \$18.5 million at December 31, 2025, a decrease of \$4.8 million from \$23.3 million at December 31, 2024. Current assets consist of cash and cash equivalents, accounts receivable, the current portion of the Corporation's lease receivables and receivable from UNICEF, and prepaid expenses and other assets (net). The decrease in current assets was due to a decrease in accounts receivable of \$2.2 million, reflecting receipts of tenant payments of rent and charges in 2025, a \$2.4 million decrease in the current

United Nations Development Corporation

Management's Discussion and Analysis (Unaudited)

portion of receivable from UNICEF, offset by a \$1.5 million increase in the current portion of lease receivables.

As described in Note 5, on April 30, 2025 the Corporation issued its 2025 Bonds, Series A (Federally Taxable) in the principal amount of \$365,000,000. The proceeds of the 2025 Bonds are being applied, together with other available funds of the Corporation, to (i) finance renovations and capital improvements at One UN Plaza and Two UN Plaza and to finance certain tenant incentives relating thereto, (ii) retire all of the Corporation's outstanding Special Obligation Bonds of 1978, Special Obligation Bonds of 1980 and 2019 Refunding Bonds, Series A together, the "Defeased Bonds"), (iii) fund certain reserves, and (iv) pay certain costs incurred in connection with the issuance of the 2025 Bonds. The 2025 Bonds are rated AA- by S&P and AA- by Fitch.

Restricted assets represent funds held in investment accounts under the Indenture for the 2025 Bonds, as described in Note 5. Restricted assets were \$438.1 million at December 31, 2025, an increase of \$314.1 million from \$124.0 million at December 31, 2024 resulting from unexpended proceeds from the 2025 Bonds.

Property and equipment, net was \$104.1 million and \$49.7 million at December 31, 2025 and 2024, respectively. The increase of \$54.4 million in property and equipment is attributable to building improvements, including demolition and related work on certain office floors to prepare for tenant occupancy under new leases. Other noncurrent assets at December 31, 2025 and 2024 were \$253.0 million and \$8.5 million, respectively, mainly representing recognition of lease receivables in accordance with GASB 87, *Leases*.

Current liabilities at December 31, 2025 were \$25.0 million, an increase of \$6.8 million from \$18.2 million at December 31, 2024. The increase in current liabilities is mainly due to an increase of \$4.4 million in accounts payable and accrued expenses, accrued interest payable of \$9.8 million for the 2025 Bonds, and rent payable to The City of \$927,000.

Noncurrent liabilities at December 31, 2025 were \$362.0 million, an increase of \$354.1 million from \$7.9 million at December 31, 2024. The increase in noncurrent liabilities is mainly due to the issuance of the 2025 Bonds.

Deferred inflows of resources at December 31, 2025 were \$239.2 million, an increase of \$233.1 million from \$6.1 million at December 31, 2024, mainly due to the increase of deferred inflows from the New UN/UNDP Leases and other new leases in accordance with GASB 87, *Leases*.

2024 vs. 2023

At December 31, 2024, the Corporation had total assets of \$205.6 million, a decrease of \$1.0 million from \$206.6 million at December 31, 2023.

Current assets were \$23.3 million at December 31, 2024, an increase of \$4.3 million from \$19.0 million at December 31, 2023. The increase in current assets was due to an increase in accounts receivable, reflecting payments of \$3.1 million in rent and charges payable by tenants in 2024 and received in 2025, and a \$1.0 million increase in prepaid expenses and other assets.

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Management's Discussion and Analysis (Unaudited)

As described in Note 5, on April 11, 2019, the Corporation issued its 2019 Refunding Bonds, Series A ("2019 Bonds") in the principal amount of \$42,085,000. The proceeds of the 2019 Bonds were used to refund the Corporation's 2009 Refunding Bonds, Series A ("2009 Bonds") on July 1, 2019 in order to reduce debt service obligations. The 2019 Bonds were consistently rated Aa3 by Moody's and AA by Fitch. The 2019 Bonds paid semi-annual interest on January 1 and July 1 at various rates with mandatory annual redemption of stated principal amounts on July 1. The balance of the 2019 Bonds as of December 31, 2024 was \$13,520,000.

Restricted assets represent funds held in investment accounts under the indenture for the 2019 Bonds, as described in Note 5. Restricted assets were \$124.0 million at December 31, 2024, a decrease of \$4.5 million from \$128.50 million at December 31, 2023.

Property and equipment, net was \$49.7 million and \$43.8 million at December 31, 2024 and 2023, respectively. The increase of \$5.9 million in property and equipment is attributable to project improvements, including demolition and related work on certain office floors to prepare for tenant occupancy under new leases. Other noncurrent assets at December 31, 2024 and 2023 were \$8.5 million and \$15.3 million, respectively, mainly representing recognition of lease receivable in accordance with GASB 87, Leases.

Current liabilities at December 31, 2024 were \$18.2 million, an increase of \$800,000 from \$17.4 million at December 31, 2023. The increase in current liabilities is mainly due to an increase of \$1.6 million in the current portion of long-term debt due on July 1, 2025 (Bonds of 2019) and August 1, 2025 (Bonds of 1980), which offset the decrease of \$700,000 in unearned revenues.

Noncurrent liabilities at December 31, 2024 were \$7.9 million, a decrease of \$8.8 million from \$16.7 million at December 31, 2023. The decrease in noncurrent liabilities is mainly due to a decrease of \$8.4 million in long-term debt, net of current portion, due to scheduled payments of debt service by the Corporation.

Deferred inflows of resources at December 31, 2024 were \$6.1 million, a decrease of \$1.5 million from \$7.6 million at December 31, 2023, mainly due to a decrease in deferred inflows from leases.

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Management's Discussion and Analysis (Unaudited)

Statements of Revenues, Expenses and Changes in Net Position

The following is a summary of the Corporation's revenues, expenses, and change in net position for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>	2025 vs. 2024 (%)	2024 vs. 2023 (%)
Total operating revenues	\$ 53,579,596	\$ 38,057,706	\$ 40,277,245	41%	-6%
Total operating expenses	<u>36,417,389</u>	<u>35,181,755</u>	<u>34,561,975</u>	4%	2%
Operating income	<u>17,162,207</u>	<u>2,875,951</u>	<u>5,715,270</u>		
Nonoperating revenues (expenses):					
Interest income	10,865,303	5,604,736	3,998,034	94%	40%
Interest expense	(16,043,653)	(310,456)	(369,002)	-5068%	16%
Issuance costs	(1,945,250)	-	-	-100%	-
Unrealized gain (loss) on restricted assets	<u>4,083,198</u>	<u>284,713</u>	<u>1,381,734</u>	1334%	-79%
Total nonoperating revenues (expenses)	<u>(3,040,402)</u>	<u>5,578,993</u>	<u>5,010,766</u>	154%	11%
Change in net position	14,121,805	8,454,944	10,726,036		
Net position, beginning of year	<u>173,397,313</u>	<u>164,942,369</u>	<u>154,216,333</u>	5%	7%
Net position, end of year	<u>\$ 187,519,118</u>	<u>\$173,397,313</u>	<u>\$164,942,369</u>	8%	5%

United Nations Development Corporation

Management's Discussion and Analysis (Unaudited)

Operating Revenues. Operating revenues for the years ended December 31, 2025, 2024 and 2023 were \$53.6 million, \$38.1 million and \$40.3 million, respectively. The increase in operating revenues for 2025 as compared to 2024 is mainly due to increased rent payments by tenants under new leases at One and Two UN Plaza that became effective in 2025. The decreases in operating revenues for 2024 from 2023 are mainly due to a reduction in rental payments by the UN as it vacated certain space at One UN Plaza, effective in April 2023.

Operating Expenses. Total operating expenses for the years ended December 31, 2025, 2024 and 2023 were \$36.4 million, \$35.2 million and \$34.6 million, respectively. The increase in operating expenses for each year were attributable to increases in expenditures for general building repairs and professional fees relating to the Project.

Nonoperating Revenues (Expenses). Total nonoperating revenues (expenses) for the years ended December 31, 2025, 2024 and 2023 were (\$3.0 million), \$5.6 million and \$5.0 million respectively.

Interest income for the years ended December 31, 2025, 2024 and 2023 was \$10.9 million, \$5.6 million and \$4.0 million, respectively. The unrealized gain on restricted assets for 2025 increased by 1334% over 2024 due to higher yields on investments in 2025 and the investment of \$96.0 million held as cash and cash equivalents in a U.S. Treasury money market fund classified as restricted assets.

Net Position. The total net position at December 31, 2025, 2024 and 2023 was \$187.5 million, \$173.4 million and \$164.9 million, respectively.

United Nations Development Corporation

Statements of Net Position

	As of December 31,	
	<u>2025</u>	<u>2024</u>
Assets:		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 2,499,175	\$ 4,381,070
Accounts receivable, less allowance for doubtful accounts of \$286,700 in 2025 and 2024	2,068,649	4,333,767
Current portion of receivable from UNICEF (Note 6)	3,147,463	5,538,264
Current portion of lease receivable (Note 6)	2,719,685	1,239,175
Prepaid expenses and other assets, net	8,069,465	7,839,442
Total current assets	<u>18,504,437</u>	<u>23,331,718</u>
Noncurrent assets:		
Restricted assets (Note 3)	438,069,863	124,034,025
Receivable from UNICEF, less current portion (Note 6)	-	3,147,463
Lease receivable, less current portion (Note 6)	252,973,600	5,367,196
Property and equipment, net (Note 4)		
Nondepreciable	77,004,867	17,134,557
Depreciable, net	27,120,057	32,539,711
Total property and equipment, net	<u>104,124,924</u>	<u>49,674,268</u>
Total noncurrent assets	<u>795,168,387</u>	<u>182,222,952</u>
Total assets	<u>813,672,824</u>	<u>205,554,670</u>
Deferred outflows of resources:		
Unamortized loss on bond refunding	27,231	-
Total assets and deferred outflows of resources	<u>\$ 813,700,055</u>	<u>\$ 205,554,670</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 13,626,648	\$ 9,205,536
Security deposits payable and unearned revenues	386,875	330,184
Lease liability - current (Note 6)	229,048	447,188
	<u>14,242,571</u>	<u>9,982,908</u>
Current liabilities (payable from restricted assets):		
Rent payable to The City of New York (Note 6)	927,082	-
Accrued interest payable	9,823,425	338,000
Current portion of long-term debt	-	7,845,000
	<u>10,750,507</u>	<u>8,183,000</u>
Total current liabilities	<u>24,993,078</u>	<u>18,165,908</u>
Noncurrent liabilities:		
Long-term obligations, net of current portion (Note 5)	361,937,886	7,655,301
Lease liability, net of current portion (Note 6)	-	229,048
Total noncurrent liabilities	<u>361,937,886</u>	<u>7,884,349</u>
Total liabilities	<u>386,930,964</u>	<u>26,050,257</u>
Deferred inflows of resources:		
Unamortized gain on bond refunding	-	81,229
Leases	239,249,973	6,025,871
Total deferred inflows of resources	<u>239,249,973</u>	<u>6,107,100</u>
Net position:		
Net investment in capital assets	67,637,602	19,429,408
Restricted for debt service	101,666,975	58,976,956
Unrestricted	18,214,541	94,990,949
Total net position	<u>187,519,118</u>	<u>173,397,313</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 813,700,055</u>	<u>\$ 205,554,670</u>

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

United Nations Development Corporation
Statements of Revenues, Expenses and Changes in Net Position

	For the years ended December 31,	
	<u>2025</u>	<u>2024</u>
Operating revenues:		
Revenue from leases		
Rents - office space	\$ 34,019,074	\$ 35,867,966
Interest - leases	17,742,935	382,777
Other income	1,817,587	1,806,963
Total operating revenues	<u>53,579,596</u>	<u>38,057,706</u>
Operating expenses:		
Administrative salaries and employee benefits	2,150,228	2,140,959
Property manager's reimbursable salaries and employee benefits	3,618,842	3,642,248
Other operating costs	17,488,318	16,284,447
Depreciation and amortization (Note 4)	6,913,443	6,905,230
Rent and real estate taxes (Note 6)	3,127,673	3,076,304
Management fees	164,501	163,694
Professional fees	2,954,384	2,968,873
Total operating expenses	<u>36,417,389</u>	<u>35,181,755</u>
Operating income	<u>17,162,207</u>	<u>2,875,951</u>
Nonoperating revenues (expenses):		
Interest income	10,865,303	5,604,736
Interest expense (Note 5)	(16,043,653)	(310,456)
Issuance costs	(1,945,250)	-
Unrealized gain on restricted assets (Note 3)	4,083,198	284,713
Total nonoperating revenues (expenses)	<u>(3,040,402)</u>	<u>5,578,993</u>
Change in net position	14,121,805	8,454,944
Net position, beginning of year	<u>173,397,313</u>	<u>164,942,369</u>
Net position, end of year	<u>\$ 187,519,118</u>	<u>\$ 173,397,313</u>

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

United Nations Development Corporation

Statements of Cash Flows

	For the years ended December 31,	
	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Receipts from tenants	\$ 45,576,857	\$ 38,700,615
Payments to suppliers	(14,561,802)	(20,345,513)
Payments for rent and real estate taxes	(4,054,903)	(3,101,549)
Payments to employees and property manager for salaries and benefits	<u>(5,769,070)</u>	<u>(5,783,207)</u>
Net cash provided by operating activities	<u>21,191,082</u>	<u>9,470,346</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of long-term debt at a discount	361,801,123	-
Payment of bond issuance costs	(1,945,250)	-
Repayments of principal on long-term debt	(15,057,500)	(6,280,000)
Interest payments on long-term debt	(6,591,850)	(1,162,783)
Repayments of principal on lease liability	(447,188)	(425,893)
Interest payments on lease liability	(33,812)	(55,106)
Capital expenditures for properties	<u>(61,364,100)</u>	<u>(12,797,185)</u>
Net cash provided by (used in) capital and related financing activities	<u>276,361,423</u>	<u>(20,720,967)</u>
Cash flows from investing activities:		
Interest and realized gains on investment securities	10,865,303	5,604,736
Maturities and redemptions of investment securities	226,505,524	35,776,510
Purchases of investment securities	<u>(536,805,227)</u>	<u>(30,951,638)</u>
Net cash (used in) provided by investing activities	<u>(299,434,400)</u>	<u>10,429,608</u>
Net decrease in cash and cash equivalents	(1,881,895)	(821,013)
Cash and cash equivalents, beginning of year	<u>4,381,070</u>	<u>5,202,083</u>
Cash and cash equivalents, end of year	<u>\$ 2,499,175</u>	<u>\$ 4,381,070</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 17,162,207	\$ 2,875,951
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	6,913,443	6,905,230
Changes in operating assets and liabilities:		
Accounts receivable	2,265,118	(3,137,736)
Receivable from UNICEF	5,538,264	4,665,419
Lease receivable	(249,086,914)	1,144,535
Prepaid expenses and other assets	(230,023)	(1,006,833)
Accounts payable and accrued expenses	5,348,194	53,089
Security deposits payable and unearned revenues	56,691	(691,469)
Deferred inflows of resources	<u>233,224,102</u>	<u>(1,337,840)</u>
Net cash provided by operating activities	<u>\$ 21,191,082</u>	<u>\$ 9,470,346</u>

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

United Nations Development Corporation

Notes to Financial Statements

1. Organization: Properties

The Corporation

United Nations Development Corporation (the “Corporation”) is a body corporate and politic constituting a public benefit corporation organized and existing under the laws of the State of New York (the “State”), including particularly Chapter 345, Laws of New York, 1968, as amended. The Corporation was created to undertake coordinated development of office space and other facilities in the area of the United Nations (“UN”) headquarters in The City of New York (the “City”) to support the official international community in the City, including the UN, missions to the UN and UN-related programs and activities (together, the “UN Community”).

UNDC Properties

The Corporation developed and operates certain properties described below and known as “One UN Plaza,” “Two UN Plaza” and “Three UN Plaza” (collectively, the “UNDC Properties”) and leases such properties to the UN and certain members of the UN Community.

One UN Plaza. One UN Plaza is a 39-story mixed-use office building and hotel located on East 44th Street and First Avenue in Manhattan, across the street from the UN headquarters. One UN Plaza opened in 1975 and includes approximately 420,000 rentable square feet of office space, along with approximately 210,000 square feet of hotel space, and separate ground floor lobby areas for the office and for the hotel. One UN Plaza is separated into two condominium units pursuant to a Declaration of Condominium, dated June 5, 1997, as amended, with the hotel portion constituting one condominium unit and the balance of the building (except for common areas) constituting the other condominium unit. In 1997 the Corporation sold the Hotel Unit to its current owner, RHM-88, LLC, which is affiliated with Millennium & Copthorne Hotels, a wholly-owned subsidiary of City Developments Limited of Singapore.

Two UN Plaza. Two UN Plaza is a 40-story mixed-use office building and hotel located west of and adjacent to One UN Plaza on 44th Street and extends north to 45th Street. Two UN Plaza opened in 1983 and includes approximately 450,000 rentable square feet of office and approximately 200,000 square feet of hotel space. Two UN Plaza also has separate ground floor lobbies for the office and hotel components, and approximately 10,000 square feet of storage space.

Three UN Plaza. Three UN Plaza is a 15-story office building with an adjacent urban plaza located on the south side of East 44th Street between First and Second Avenues, across from One and Two UN Plaza. Three UN Plaza opened in 1987 and includes approximately 205,000 square feet of office space. All of Three UN Plaza is leased to UNICEF as its world headquarters. The Corporation and the City have agreed that upon the expiration of the UNICEF Lease in 2026, and subject to certain conditions being met, including compliance by UNICEF with its obligations under the UNICEF Lease and maintenance of UNICEF’s world headquarters in the City, UNICEF will obtain ownership of Three UN Plaza, without payment by UNICEF for the transfer.

The Corporation is governed by a 15-member Board of Directors. Of the 15 members, two serve as *ex officio* members by virtue of their respective offices as Commissioner of the New York City Department of Housing Preservation and Development and as Chair of the New York City Planning Commission, eight are appointed by the Governor of the State and five (including the Chair of the Board), are appointed by the Mayor of the City.

United Nations Development Corporation

Notes to Financial Statements

United Nations Occupancy at the UNDC Properties

Since their construction, the office portions of the UNDC Properties have been occupied by the UN and members of the UN Community, with a campus-like environment to facilitate their work.

In late 2021, the UN advised the Corporation that it would not renew its lease at One UN Plaza upon its expiration on March 31, 2023. Instead, the UN planned to enter into a new lease for all space it occupied at Two UN Plaza and consolidate staff from offices at One UN Plaza and other Manhattan locations into Two UN Plaza. At that time, the United Nations Development Programme (“UNDP”), the UN’s lead agency for international development and a subtenant of the UN at One UN Plaza since 1982, advised that it was considering a lease at One UN Plaza for UNDP’s world headquarters. The UN extended the term of its One UN Plaza Lease for space occupied by UNDP and other UN organizations that were UN subtenants, and the term of the Two UN Plaza UN Lease for all space under lease, in each case from April 1, 2023 through April 30, 2025, at existing rents and other terms.

Key Events in 2025

In February 2025 the Corporation entered into a new lease with UNDP (the “New UNDP Lease”) for approximately 60% of the leasable office space at One UN Plaza and a new lease with the UN (the “New UN Lease”; collectively, the “New UN/UNDP Leases”) for substantially all of the leasable office space at Two UN Plaza. The new UN/UNDP Leases became effective upon the issuance of the 2025 Bonds (as defined below). Under the New UN/UNDP Leases, the Corporation is obligated to undertake certain improvements to One UN Plaza and Two UN Plaza and to provide the UN and UNDP with certain tenant incentives in the form of free rent and a tenant improvement allowance to fund improvements that they will undertake within their leased premises. The New UN/UNDP Leases each expires in 2040, subject to two 5-year extension rights on the part of the tenants.

The Corporation issued \$365 million aggregate principal amount of federally taxable bonds (the “2025 Bonds”) on April 30, 2025 under an Indenture of Trust and a First Supplemental Indenture of Trust. A portion of the proceeds of the 2025 Bonds, together with other available cash reserves of the Corporation and surplus cash flow revenues are being used to finance certain building-wide renovations and capital improvements to the common areas in One UN Plaza and Two UN Plaza as well as improvements to the space in One UN Plaza and Two UN Plaza that is being leased to the UN and UNDP pursuant to the New UN/UNDP Leases (collectively, the “Project”). More specifically, the Project consists of improvements to update building systems in compliance with NYS BuildSmart 2025 and State energy code requirements, updates to conform to current fire safety and disability codes and regulations, renovations to entryways, storage facilities, lavatories and common areas, and the provision of indoor bicycle parking. The Project also includes the funding of tenant improvement allowances that the UN and UNDP will use to modernize their premises under the New UN/UNDP Leases.

2. Significant Accounting Policies

Basis of accounting

The Corporation uses the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), as prescribed by the Governmental Accounting

United Nations Development Corporation

Notes to Financial Statements

Standards Board (“GASB”). GASB is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits that are either federally insured or collateralized with short-term investments in U.S. Government obligations with an original maturity of three months or less when acquired, except for bank deposits of approximately \$1,741,000 and \$250,000 as of December 31, 2025 and 2024, respectively, that were uninsured and uncollateralized. All securities held by custodians as collateral are registered and held in the Corporation’s name.

Operating and non-operating revenue

As required by U.S. GAAP, the Corporation recognizes a lease receivable and a deferred inflow of resources. The lease receivable is amortized over the life of the lease and interest revenue is recognized over the term of the lease. Rental revenue is recognized in a systematic and rational manner (typically straight-line) over the term of the lease and the deferred inflow of resources is reduced in the same manner. Given the nature of the Corporation’s operations, revenue from leases, including related interest income, and related fees and agreements is considered operating revenue. All other revenues are considered non-operating.

Receivable from UNICEF

The Corporation’s lease with UNICEF at Three UN Plaza is stated at its net investment amount. Net income is recognized over the life of the UNICEF lease, which expires on July 2, 2026.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations that improve and extend the useful life of an asset are capitalized. The Corporation’s capitalization threshold is currently \$5,000.

Depreciation is computed by the straight-line method over the following periods: (i) 50 years for buildings; (ii) 3 to 25 years for building improvements; and (iii) 3 to 10 years for furniture, fixtures and equipment. The land under One UN Plaza is treated as a leasehold interest and its acquisition cost is being amortized over the term of the 1972 Lease (as defined in Note 6).

Bond issuance costs

Bond issuance costs are recognized as expenses in the period incurred.

Net position

The Corporation’s net position is classified in the following categories: (a) net investment in capital assets: which consists of project assets, net of accumulated depreciation and deferred costs, reduced by the outstanding balance of debt attributable to the acquisition, construction, or improvement of those assets; (b) restricted: which consists of assets restricted for specific purposes by law or parties external to the Corporation; and (c) unrestricted: which consists of assets that are not classified either as net investment in capital assets, or as restricted. When both restricted and unrestricted resources are available for use, it is the Corporation’s policy to use restricted resources first, and then unrestricted resources as they are needed.

United Nations Development Corporation

Notes to Financial Statements

Income taxes

No provision for taxes or deferred taxes has been included in these financial statements because the Corporation is exempt from federal and state income taxes as a public benefit corporation of the State of New York and a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Recent accounting pronouncements

The following are discussions of the standards requiring implementation in the current year and standards which may impact the Corporation in future years.

GASB Statement No. 102, *Certain Risk Disclosures*, (“GASB 102”) is effective for fiscal years beginning after June 15, 2024. GASB 102 improves financial reporting by providing timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The adoption of GASB 102 had no impact on the Corporation’s financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements* (“GASB 103”), is effective for fiscal years beginning after June 15, 2025. GASB 103 seeks to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The Corporation has not completed their evaluation of GASB 103 but does not anticipate any material impact.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (“GASB 104”), is effective for fiscal years beginning after June 15, 2025. GASB 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosure. The Statement also requires additional disclosures for capital assets held for sale and for such assets to be evaluated each reporting period. The Corporation has not completed their evaluation of GASB 104 but does not anticipate any material impact.

GASB Statement No. 105, *Subsequent Events*, (“GASB 105”) is effective for fiscal years beginning after June 15, 2026. The GASB 105 requirements will improve financial reporting related to subsequent events by clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and specifying the information items that are required to be disclosed about subsequent events. Those improvements will assist preparers and auditors in applying the requirements more consistently, thereby reducing diversity in practice and providing information that better meets the needs of financial statements users. The Corporation has not completed their evaluation of GASB 105 but does not anticipate any material impact.

United Nations Development Corporation

Notes to Financial Statements

3. Investments and Restricted Assets and Fair Value Measurements

All investments are carried at fair value. Certain accounts are funded by the Corporation as required under the Indentures for the 2025 Bonds and the 2019 Bonds (as such terms are defined in Note 5). Such accounts are classified as restricted assets and consist of investments in U.S. Treasury Securities. Accounts funded under the Indentures for the 2025 Bonds and the 2019 Bonds are held as trust assets in the Corporation's name by The Bank of New York Mellon, as the Corporation's trustee and custodian under the Indenture.

The Corporation's permitted investments under the Indenture include: (i) obligations to which the faith and credit of the U.S. government are pledged; (ii) obligations, the payment of the principal of and interest on which are unconditionally guaranteed by the U.S. government; (iii) direct and general obligations of any state or political subdivision provided that such obligations are rated in either of the two highest rating categories by Moody's Investors Service ("Moody's"); (iv) bonds, debentures, participation certificates or notes issued by entities named in the Indenture (including Federal Home Loan Banks, Fannie Mae, Ginnie Mae or Freddie Mac); (v) Public Housing Bonds, Temporary Notes or Preliminary Loan Notes fully secured by contracts with the United States; (vi) certificates of deposit issued by banks in the State of New York having capital stock and surplus of more than \$50 million and rated at least A by Moody's and another nationally recognized rating agency, or fully secured by direct obligations of or obligations guaranteed by the U.S. government; (vii) repurchase agreements secured by any one or more of the securities described in clauses (i) through (iv) above; (viii) obligations of any corporation organized under the laws of any state in the United States maturing within two-hundred-seventy days, rated by at least two of Moody's, S&P and Fitch as P-1, A-1+ and F-1, respectively; (ix) banker's acceptances maturing within ninety days rated by at least two of Moody's, S&P and Fitch as P-1, A-1+ and F-, respectively; and (x) money market mutual funds invested in obligations issued or guaranteed by the U.S. government or in obligations of agencies or instrumentalities of the U.S. where the payment of principal and interest is guaranteed by the U.S. government.

United Nations Development Corporation

Notes to Financial Statements

Total restricted assets held by the Corporation at December 31, 2025 and 2024 included in the statements of net position were as follows:

		December 31, 2025		
		Cost	Fair Value	Weighted average maturity (years) (a)
U.S. Treasury securities:				
	Treasury Notes	\$ 327,445,067	\$ 331,770,863	0.87
	Treasury Bills	10,234,056	10,301,412	0.01
	Total U.S. Treasury Securities	<u>337,679,123</u>	<u>342,072,275</u>	
	Total Investments	<u>337,679,123</u>	<u>342,072,275</u>	
	Cash and cash equivalents	<u>95,997,588</u>	<u>95,997,588</u>	
	Total restricted assets	<u>\$ 433,676,711</u>	<u>\$ 438,069,863</u>	
		December 31, 2024		
		Cost	Fair Value	Weighted average maturity (years) (a)
U.S. Treasury securities:				
	Treasury Notes	\$ 67,477,035	\$ 67,786,988	1.14
	Total U.S. Treasury Securities	<u>67,477,035</u>	<u>67,786,988</u>	
	Total Investments	<u>67,477,035</u>	<u>67,786,988</u>	
	Cash and cash equivalents	<u>56,247,037</u>	<u>56,247,037</u>	
	Total restricted assets	<u>\$ 123,724,072</u>	<u>\$ 124,034,025</u>	

(a) Portfolio weighted average effective duration from the purchase date of investments.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Corporation had the following recurring fair value measurements as of December 31, 2025 and 2024:

U.S. Treasury securities of \$342,072,275 and \$67,786,988, respectively, are valued using quoted market prices (Level 1 inputs).

United Nations Development Corporation

Notes to Financial Statements

4. Property and Equipment

Property and equipment consisted of the following as of December 31:

	Balance at January 1, <u>2025</u>	Additions <u>2025</u>	Deletions <u>2025</u>	Balance at December 31, <u>2025</u>
Nondepreciable Property and equipment				
Development in-progress	\$ 17,134,557	\$ 59,870,310	\$ -	\$ 77,004,867
Depreciable Property and equipment				
Land	3,823,597	-	-	3,823,597
Building and building improvements	186,529,208	1,409,017	-	187,938,225
Furniture, fixtures and equipment	1,708,652	84,772	-	1,793,424
	192,061,457	1,493,789	-	193,555,246
Less: accumulated depreciation and amortization	(160,138,640)	(6,502,181)	-	(166,640,821)
Lease assets being amortized, net	616,894	-	(411,262)	205,632
	32,539,711	(5,008,392)	(411,262)	27,120,057
Property and equipment, net	<u>\$ 49,674,268</u>	<u>\$ 54,861,918</u>	<u>\$ (411,262)</u>	<u>\$ 104,124,924</u>

	Balance at January 1, <u>2024</u>	Additions <u>2024</u>	Deletions <u>2024</u>	Balance at December 31, <u>2024</u>
Nondepreciable Property and equipment				
Development in-progress	\$ 6,358,010	\$ 10,776,547	\$ -	\$ 17,134,557
Depreciable Property and equipment				
Land	3,823,597	-	-	3,823,597
Building and building improvements	184,527,620	2,001,588	-	186,529,208
Furniture, fixtures and equipment	1,689,602	19,050	-	1,708,652
	190,040,819	2,020,638	-	192,061,457
Less: accumulated depreciation and amortization	(153,644,672)	(6,493,968)	-	(160,138,640)
Lease assets being amortized, net	1,028,156	-	(411,262)	616,894
	37,424,303	(4,473,330)	(411,262)	32,539,711
Property and equipment, net	<u>\$ 43,782,313</u>	<u>\$ 6,303,217</u>	<u>\$ (411,262)</u>	<u>\$ 49,674,268</u>

Included in property and equipment are development-in-progress costs for the Project of \$77,004,867 and \$17,134,557 as of December 31, 2025 and 2024, respectively.

United Nations Development Corporation

Notes to Financial Statements

5. Long-Term Liabilities

Long-term liabilities as of December 31, 2025 and 2024 was as follows:

	Balance at January 1, <u>2024</u>	Additions/ Deletions <u>2024</u>	Balance at December 31, <u>2024</u>	Additions/ Deletions <u>2025</u>	Balance at December 31, <u>2025</u>
Bonds of 2025, Series A	\$ -	\$ -	\$ -	\$ 365,000,000	\$ 365,000,000
Bonds of 2019, Series A	19,800,000	(6,280,000)	13,520,000	(13,520,000)	-
Bonds of 1980, due August 1, 2025 at 8% interest, payable semi-annually	1,250,000	-	1,250,000	(1,250,000)	-
Bonds of 1978, due July 1, 2028 at 8% interest, payable semi-annually	287,500	-	287,500	(287,500)	-
	<u>21,337,500</u>	<u>(6,280,000)</u>	<u>15,057,500</u>	<u>349,942,500</u>	<u>365,000,000</u>
Less/Add:					
Unamortized 2025 bond discount	-	-	-	(3,062,114)	(3,062,114)
Unamortized 2019 bond premium	<u>979,538</u>	<u>(536,737)</u>	<u>442,801</u>	<u>(442,801)</u>	<u>-</u>
	<u>22,317,038</u>	<u>(6,816,737)</u>	<u>15,500,301</u>	<u>346,437,585</u>	<u>361,937,886</u>
Lease liability	1,102,129	(425,893)	676,236	(447,188)	229,048
Less:					
Current portion of long-term debt	(6,280,000)	(315,000)	(6,595,000)	6,595,000	-
Bonds of 1980, due August 1, 2025 at Current portion of lease liability	<u>-</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>1,250,000</u>	<u>-</u>
	<u>(425,894)</u>	<u>(21,294)</u>	<u>(447,188)</u>	<u>218,140</u>	<u>(229,048)</u>
Long-term obligations, net of current portion	<u>\$ 16,713,273</u>	<u>\$ (8,828,924)</u>	<u>\$ 7,884,349</u>	<u>\$ 354,053,537</u>	<u>\$ 361,937,886</u>

2025 Bonds, Series A (Federally Taxable)

The 2025 Refunding Bonds, Series A (Federally Taxable) (the “2025 Bonds”) were issued on April 30, 2025 in principal amount of \$365,000,000. The proceeds of the 2025 Bonds are being applied, together with other available funds of the Corporation, to (i) finance renovations and capital improvements to One UN Plaza and Two UN Plaza and to finance certain tenant incentives relating thereto, (ii) retire all of the Corporation’s outstanding Special Obligation Bonds of 1978 (the “1978 Bonds”), Special Obligation Bonds of 1980 (the “1980 Bonds”) and 2019 Refunding Bonds, Series A (the “2019 Bonds”; and, together with the 1978 Bonds and the 1980 Bonds, the “Defeased Bonds”), (iii) fund certain reserves, and (iv) pay certain costs incurred in connection with the issuance of the 2025 Bonds.

The 2025 Bonds were issued under an Indenture of Trust and a First Supplemental Indenture of Trust, each dated as of April 30, 2025 (the “2025 Indenture”), between the Corporation and The Bank of New York Mellon, as Trustee. Interest is payable semiannually on February 1 and August 1, at varying interest rates. Interest expense includes amortization of discount on the 2025 Bonds. The 2025 Bonds are collateralized by net revenues from Phases I, II and III and amounts in the funds and accounts held by the Trustee.

United Nations Development Corporation

Notes to Financial Statements

The Corporation incurred issuance costs of \$1,945,250 with respect to the 2025 Bonds.

The 2025 Indenture provides that in the event of a payment or other default as described thereunder, the Trustee may, and upon written request of the Bondholders of not less than 25% in aggregate principal amount of the Bonds then Outstanding, with respect to which such event of default has happened, shall proceed, to protect and enforce the rights of the Trustee and, to the full extent that the Holders of the Bonds themselves might do, the rights of the Bondholders under the laws of the State of New York or under the 2025 Indenture or under any other security document, by such suits, actions, or proceedings in equity or at law, either for the specific performance of any covenant or contract contained therein, or in aid or execution of any power therein granted or for any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce the rights aforesaid and without limiting the generality of the foregoing, as the Trustee, being advised by counsel, shall deem most effectual to protect and insure the rights of the bondholders.

The 2019 Refunding Bonds, Series A (“2019 Bonds”) were issued on April 11, 2019, in principal amount of \$42,085,000 and at a net premium of \$5,946,830. The 2019 Bonds were issued to refund the outstanding 2009 Refunding Bonds, Series A (the “2009 Bonds”) to reduce debt service. The 2019 Bonds bear interest at a fixed rate of 5% and have annual maturities from July 1, 2020 through July 2026. The 2019 Bonds were defeased with the issuance of the 2025 Bonds on April 30, 2025.

Interest on the 2019 Bonds is payable semiannually on January 1 and July 1 at an interest rate of 5.00%. Interest expense is reflected at a constant effective yield (including amortization of premium). The 2019 Bonds are subject to mandatory annual redemption of stated principal amounts from July 2020 through July 2026. The 2019 Bonds are collateralized by net revenues from Phases I, II and III and amounts in the funds and accounts held by the Trustee. The Corporation incurred issuance costs of \$901,473 with respect to the 2019 Bonds.

Bonds of 1980 and Bonds of 1978

The Bonds of 1980 and the Bonds of 1978 are special purpose revenue bonds which require payments of interest only to maturity of \$100,000 and \$23,000 per annum, respectively, until maturity and payment of the principal amount of these bonds in 2025 and 2028, respectively. Debt service on these bonds is senior to that of the 2025 Bonds and the 2019 Bonds. The Bonds of 1980 and the Bonds of 1978 were both defeased with the issuance of the 2025 Bonds on April 30, 2025.

United Nations Development Corporation

Notes to Financial Statements

Maturities of Long-Term Debt

The principal and interest payments on the Corporation's long-term debt are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31,			
2026	\$ -	\$ 23,576,220	\$ 23,576,220
2027	-	23,576,220	23,576,220
2028	-	23,576,220	23,576,220
2029	-	23,576,220	23,576,220
2030	-	23,576,220	23,576,220
2031-2035	7,740,000	117,292,210	125,032,210
2036-2040	29,285,000	112,836,723	142,121,723
2041-2045	60,675,000	100,076,944	160,751,944
2046-2050	106,445,000	74,691,447	181,136,447
2051-2055	160,855,000	31,966,269	192,821,269
	<u>\$ 365,000,000</u>	<u>\$ 554,744,693</u>	<u>\$ 919,744,693</u>

6. Leases

As Lessee:

The City of New York

Under a lease agreement dated August 1, 1972, as amended (the "1972 Lease"), and a lease agreement dated May 8, 1981, as amended (the "1981 Lease" and together with the 1972 Lease, the "City Leases"), the Corporation leases from the City all of Phase I (excluding the hotel portion) and the underlying land, Phase II (but not the underlying land, which is leased under the Phase II Ground Lease referred to below), and Phase III and the underlying land. Rent payable to the City under the City Leases is subordinate to debt service on the 2025 Bonds and the 2019 Bonds, was subordinate to debt service on the 2009 Bonds prior to their redemption in July 2019 and was subordinate to debt service on the 2004 Bonds prior to their redemption in November 2009. The City Leases include the following provisions:

- The terms of the City Leases will continue until all bond obligations issued in connection with Phases I, II and III are paid, but not beyond December 18, 2071 for the 1972 Lease and May 7, 2080 for the 1981 Lease.
- The City Leases may be terminated at any time by the City, provided that the City purchases the Corporation's interests under the City Leases for amounts at least sufficient to pay the Corporation's bond obligations with respect to Phases I, II and III.
- The Corporation pays base rent to the City equivalent to full real estate taxes on the portions of One and Two UN Plaza not occupied by the UN, missions to the UN or used as a community facility. The Corporation's base rent on account of Three UN Plaza is fixed at \$481,000 annually. Total base rent under the City Leases was \$1,725,909 and \$1,734,217 for the years ended December 31, 2025 and 2024, respectively.
- Rent is payable to the City only from revenues remaining after payment of operating expenses and other obligations, including debt service, of Phases I, II and III.

United Nations Development Corporation

Notes to Financial Statements

- In addition to the amounts described above, the Corporation is required to pay the City additional rent equal to ninety percent of Consolidated Surplus (as defined in the 1981 Lease). In general, the 1981 Lease defines Consolidated Surplus as revenues from the Corporation's operations during the year, minus the amounts paid, set aside or placed in reserve in connection with the Corporation's operations and to comply with the Corporation's obligations, including debt service and other requirements under the Corporation's financing documents. Under the 1981 Lease, approval of the Board of Directors is required to establish reserves not mandated by the Corporation's financing documents and not required to pay other current obligations.
- In March 2026, for the year ended December 31, 2025, the Board of Directors established a reserve from 2025 revenues of \$8,223,959. In March 2025, for the year ended December 31, 2024, the Board of Directors established a reserve from 2024 revenues of \$6,910,171. The reserves, which were established under the 1981 Lease, are available for capital improvements at One and Two UN Plaza, tenant incentives under office space leases and for general corporate purposes. There was no Consolidated Surplus in 2025 and 2024 as a result, and therefore no additional rent was payable to the City for those years.

Phase II Ground Lease

The Corporation holds a ground lessee's interest in the land portion of Phase II under a ground lease with a privately-owned entity. The 99-year term of the ground lease expires on July 31, 2079, subject to an option to purchase the underlying fee interest that was exercisable by the Corporation until July 31, 2025. The Corporation did not exercise such option. The Corporation pays fixed net rent of \$250,000 per annum to the ground lessor, subject to increases beginning on August 1, 2025 and every fifth year thereafter, calculated based on the increase in the Consumer Price Index issued by the Bureau of Labor Statistics over such index as of February 1, 2014. As of August 1, 2025, the rent under the ground lease is \$302,343 per annum.

The Corporation determined the net present value of the Three UN Plaza lease as of January 1, 2021 using a 5% interest rate, the Corporation's estimated borrowing rate, and reported a lease liability of \$229,048 and \$676,236 at December 31, 2025 and 2024, respectively. Total outflows related to the Three UN Plaza lease were \$481,000 for each of the years ended December 31, 2025 and 2024, respectively. Such outflows include interest on the lease liability, which is reported in other operating costs in the accompanying financial statements, of \$31,085 and \$49,783 for the years ended December 31, 2025 and 2024, respectively.

Base rental payments due under the Three UN Plaza lease are as follows for the year ended December 31, 2026:

Three UN -City Rent

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 229,048	\$ 11,453	\$ 240,501
<u>\$ 229,048</u>	<u>\$ 11,453</u>	<u>\$ 240,501</u>

The Corporation has recognized right-of-use lease assets relating to the base rents due under the Three UN Plaza lease. These assets are being amortized on a straight-line basis over the term of the lease.

United Nations Development Corporation

Notes to Financial Statements

Lease assets were as follows for the year ended December 31, 2025:

	Balance at January 1, <u>2025</u>	Additions <u>2025</u>	Deletions <u>2025</u>	Balance at December 31, <u>2025</u>
Lease assets	\$ 2,261,943	\$ -	\$ -	\$ 2,261,943
Less: accumulated amortization	<u>(1,645,049)</u>	<u>(411,262)</u>	<u>-</u>	<u>(2,056,311)</u>
Lease assets, net	<u>\$ 616,894</u>	<u>\$ (411,262)</u>	<u>\$ -</u>	<u>\$ 205,632</u>

Lease assets were as follows for the year ended December 31, 2024:

	Balance at January 1, <u>2024</u>	Additions <u>2024</u>	Deletions <u>2024</u>	Balance at December 31, <u>2024</u>
Lease assets	\$ 2,261,943	\$ -	\$ -	\$ 2,261,943
Less: accumulated amortization	<u>(1,233,787)</u>	<u>(411,262)</u>	<u>-</u>	<u>(1,645,049)</u>
Lease assets, net	<u>\$ 1,028,156</u>	<u>\$ (411,262)</u>	<u>\$ -</u>	<u>\$ 616,894</u>

As Lessor:

Phase I

The Corporation and UNDP entered into the New UNDP Lease at One UN Plaza, effective April 30, 2025. The New UNDP Lease expires in 2040, subject to two 5-year extension rights exercisable by UNDP. The remaining terms of other leases at One UN Plaza range from approximately [four years to fifteen years (assuming no exercise of tenant renewal options)]. Fixed minimum rents under the One UN Plaza Leases, excluding operating expense escalations, will be approximately \$2.9 million in 2026, \$11.1 million in 2027, \$11.6 million in 2028, \$11.6 million in 2029 and \$10.9 million in 2030.

Phase II

The office space in Two UN Plaza is leased principally to the UN and missions to the UN. The Corporation entered into the New UN Lease at Two UN Plaza, effective April 30, 2025. The New UN Lease expires in 2040, subject to two 5-year extension rights exercisable by the UN. The remaining terms of other leases at Two UN Plaza range from approximately two years to fifteen years. Fixed minimum rents under the Two UN Plaza leases, excluding operating expense escalations, will be approximately \$16.5 million in 2026, \$16.5 million in 2027, \$15.4 million in 2028, \$15.5 million in 2029 and \$16.9 million in 2030.

The hotel space at Two UN Plaza is subject to a sublease agreement with the Hotel Operator, expiring in 2079 to match the term of the Phase II ground lease. Under the terms of the agreement, the Hotel Operator has responsibility for the operations of the Hotel Unit. Expenses incurred at Two UN Plaza are allocated to the Hotel Unit as provided in the sublease agreement, based on various criteria, including square footage, operating hours, and other relevant factors.

United Nations Development Corporation

Notes to Financial Statements

Phase III

All rentable space in Three UN Plaza is leased to UNICEF under a lease expiring in 2026. The Corporation and the City have agreed that upon the expiration of the Three UN Plaza lease in July 2026, and subject to certain conditions being met, including compliance by UNICEF with its obligations under the Three UN Plaza lease and maintenance of UNICEF's world headquarters in the City, UNICEF will obtain ownership of Three UN Plaza, without payment to the Corporation by UNICEF for the transfer. The lease with UNICEF is accounted for as a financed purchase.

UNICEF's annual base rent (excluding operating expense escalations) in 2025 and 2026 will be approximately \$6.7 million and \$3.4 million, respectively. As of December 31, 2025 and 2024, the Corporation recognized lease receivables of \$255,693,285 and \$6,606,371, respectively. Such amounts were discounted to present value using the Corporation's estimated borrowing rate of 6.536% and 5%, respectively.

For the years ended December 31, 2025 and 2024, the Corporation recognized \$34,019,074 and \$35,867,966, respectively, in lease revenue and \$17,742,935 and \$382,777, respectively, in lease interest revenues from office space. Future base rent payments for office space due to the Corporation are as follows for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31,			
2026	\$ 2,719,685	\$ 16,629,673	\$ 19,349,358
2027	11,147,565	16,472,194	27,619,759
2028	11,262,329	15,765,195	27,027,524
2029	12,047,472	15,036,029	27,083,501
2030	13,579,872	14,256,097	27,835,969
2031-2035	87,861,646	56,320,887	144,182,533
2036-2040	117,074,716	21,562,322	138,637,038
	<u>\$ 255,693,285</u>	<u>\$ 156,042,397</u>	<u>\$ 411,735,682</u>

Receivable from UNICEF

The components of the receivable from UNICEF as of December 31, 2025 and 2024 are as follows:

	December 31,	
	<u>2025</u>	<u>2024</u>
Total minimum lease payments to be received	\$ 3,261,489	\$ 9,784,466
Less: Unearned income	(114,026)	(1,098,739)
Less: Current portion of receivable	<u>(3,147,463)</u>	<u>(5,538,264)</u>
Total receivable from UNICEF (long-term)	<u>\$ -</u>	<u>\$ 3,147,463</u>

United Nations Development Corporation

Notes to Financial Statements

7. Retirement Plans

The Corporation has a Simplified Employee Pension retirement plan (“SEP”) covering employees of age 21 or over with one year or more of service, with all contributions thereunder being immediately vested. The Corporation’s contributions are made directly to employee SEP accounts in amounts ranging from 12% to approximately 14% of base compensation. Contributions to the SEP plan were \$176,553 and \$153,371 for the years ended December 31, 2025 and 2024, respectively.

The Corporation also funds a deferred compensation plan for employees under Section 457(b) of the Internal Revenue Code. Contributions to the 457(b) Plan were \$100,855 and \$101,904 for the years ended December 31, 2025 and 2024, respectively.

United Nations Development Corporation
Supplemental Schedule of Phases I, II and III
Net Revenues in Excess of Debt Service Requirements

For the year ended December 31, 2025

	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>	<u>Total</u>
Office Space				
Revenues and income from leases	\$ 11,867,034	\$ 23,193,971	\$ 6,722,479	\$ 41,783,484
Operating expenses	<u>(7,044,375)</u>	<u>(7,732,109)</u>	<u>(5,762,911)</u>	<u>(20,539,395)</u>
	\$ 4,822,659	\$ 15,461,862	\$ 959,568	\$ 21,244,089
Fee Income-Tenant Alteration Work			381,106	381,106
Other Income (Note A)	18	1,436,463	-	1,436,481
Interest Income	<u>4,261,609</u>	<u>4,261,609</u>	<u>2,130,804</u>	<u>10,654,022</u>
Gross Revenues	9,084,286	21,159,934	3,471,478	33,715,698
General and Administrative Expenses	(2,701,156)	(2,529,799)	(605,919)	(5,836,874)
Ground Rent		(271,810)		(271,810)
Interest Expense on the Bonds of 1978 and 1980		(41,000)		(41,000)
Real Estate Taxes to The City of New York		<u>(1,610,955)</u>		<u>(1,610,955)</u>
Net Revenues (Note B)	6,383,130	16,706,370	2,865,559	25,955,059
Base Rent to The City of New York (Note C)	(76,893)	(1,168,016)	(481,000)	(1,725,909)
Debt Service Requirements (Note D)	<u>(3,841,246)</u>	<u>(7,042,284)</u>	<u>(5,121,661)</u>	<u>(16,005,191)</u>
Net Revenues in Excess of Debt Service Requirements	<u>\$ 2,464,991</u>	<u>\$ 8,496,070</u>	<u>\$ (2,737,102)</u>	<u>\$ 8,223,959</u>

See Independent Auditors' Report and Notes to Supplemental Schedule.

United Nations Development Corporation

Notes to Supplemental Schedule

A. Other Income:

Phase II other income represents payment from the Hotel Operator of its proportionate share of ground rent, real estate taxes and rent to the City of New York.

B. Net Revenues:

Net revenues include interest income and all Phase I, II and III operating revenues and expenses, except for depreciation, amortization and interest expense on the 2019 Bonds. Operating revenues and base rent to the City of New York represent actual amounts owed pursuant to the leases rather than amounts recognized in the financial statements under GASB 87.

C. Base Rent to The City of New York:

Payments of base rent to The City of New York are subordinate to the Phase I, II and III debt service requirements and are allocated among Phase I, Phase II and Phase III in accordance with the provision of the City Leases.

D. Debt Service Requirements:

Debt service requirements include interest and principal payments on the 2025 Bonds.