

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

**Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report**

March 31, 2021 and 2020

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Roosevelt Island Operating Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Roosevelt Island Operating Corporation (RIOC), a component unit of the State of New York, as of and for the years ended March 31, 2021 and 2020, and the related notes to financial statements, which collectively comprise RIOC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to RIOC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RIOC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roosevelt Island Operating Corporation as of March 31, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 15 and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIOC's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2021, on our consideration of RIOC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIOC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering RIOC's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 22, 2021

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis

March 31, 2021

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Roosevelt Island Operating Corporation (RIOC) at March 31, 2021 and 2020, and the results of its operations for the years then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board for state and local governments. This MD&A should be read in conjunction with the audited financial statements and accompanying notes to financial statements, which directly follow the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: management's discussion and analysis (this section), basic financial statements and supplemental information. RIOC was created by the New York State Legislature in 1984 as a public benefit corporation charged with maintaining, operating, and developing Roosevelt Island. RIOC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities of the Corporation. These statements are presented in a manner similar to a private business. While additional information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that RIOC is properly performing its contractual obligations.

FINANCIAL ANALYSIS OF THE CORPORATION NET POSITION

The following is a summary of the RIOC's Statement of Net Position at March 31, 2021 and 2020 and the percentage changes between March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Current and other assets	\$ 57,960,902	64,065,209	-10%
Long-term receivables	-	4,345,205	-100%
Capital assets, net	<u>133,012,286</u>	<u>112,926,592</u>	18%
Total assets	<u>190,973,188</u>	<u>181,337,006</u>	5%
Deferred outflows of resources	<u>5,443,084</u>	<u>3,044,734</u>	79%
Liabilities	<u>71,371,570</u>	<u>51,739,050</u>	38%
Deferred inflows of resources	<u>3,479,000</u>	<u>4,538,464</u>	-23%
Net position	\$ <u>121,565,702</u>	<u>128,104,226</u>	-5%

ROOSEVELT ISLAND OPERATING CORPORATION
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Management's Discussion and Analysis, Continued

On RIOC's Statement of Net Position at March 31, 2021 total assets of \$190,973,188 and deferred outflow of resources of \$5,443,084 exceeded total liabilities of \$71,371,570 and deferred inflows of resources of \$3,479,000 by \$121,565,702 (net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$133,012,286, noncurrent investments totaling \$7,165,943, cash and short-term investments totaling \$31,994,703 and other assets of \$18,800,256. Liabilities are comprised of accounts payable and accrued expenses of \$2,892,778, compensated absences of \$1,033,023, unearned revenues of \$51,071,842 (prepaid rents), total OPEB liability of \$12,352,555, and other liabilities totaling \$4,021,372. Unearned revenues represent the prepaid ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms.

The increase in the deferred outflows of resources in the amount of \$2,398,350 or 79% and the decrease in the deferred inflows of resources in the amount of \$(1,059,464) or (23%) are due to RIOC's compliance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27," GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68," and GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." See notes 2(j) for additional information and 7(b-h) for the financial statement impact of compliance on the financial statements for pensions; and note 10 for OPEB.

OPERATING ACTIVITIES

RIOC's Statements of Revenues, Expenses and Changes in Net Position are used to report changes in the net position, including depreciation expense. Revenues reported are based on a standard of recognition whereby revenues are recorded when earned. The Statements of Revenues, Expenses and Changes in Net Position detail program revenues by major source and expenses by natural classification and indicate the change in net position.

RIOC's total operating revenue for the fiscal year ended March 31, 2021 was \$27,680,123. For the fiscal year ended March 31, 2021, operating revenue decreased by \$3,384,463 or 11% over the last fiscal year. This was mainly due to a decrease in residential fee of \$1,585,084, tramway revenue of \$2,883,535, transport/parking revenue of \$241,097 and interest income of \$661,061 offset by an increase in other revenues of \$1,546,038 and ground rent of \$283,858.

RIOC's total expenses for the fiscal year ended March 31, 2021 were \$34,218,647 and \$30,126,488 for the fiscal year ended March 31, 2020, including depreciation of \$5,933,739 and \$4,797,143, respectively. For fiscal year ended March 31, 2021, total operating expenses before depreciation increased by \$2,955,563 or 12% over the last fiscal year. This was mainly due to increases in personal services of \$1,662,124, insurance of \$1,363,804, professional and legal services of \$453,161, and repairs and maintenance of \$110,570 offset by a decrease in supplies/services of \$101,931 and other expenses of \$508,298.

ROOSEVELT ISLAND OPERATING CORPORATION
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Management's Discussion and Analysis, Continued

The following summarizes RIOC's change in net position for the fiscal years ended March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Operating revenue:			
Residential fees	\$ 1,682,789	3,267,873	-49%
Ground rent	14,636,811	14,352,953	2%
Commercial rent	1,661,743	1,635,567	2%
Tramway revenue	1,642,755	4,526,290	-64%
Public safety reimbursement	2,205,103	2,089,069	-6%
Transport/parking revenue	2,295,009	2,536,106	-10%
Interest income	998,974	1,660,035	-40%
Unrealized loss	(2,833)	(17,041)	-83%
Other revenues	<u>2,559,772</u>	<u>1,013,734</u>	153%
Total operating revenue	<u>27,680,123</u>	<u>31,064,586</u>	-11%
Operating expenses:			
Personal services	14,948,984	13,286,860	13%
Insurance	3,147,500	1,783,696	76%
Professional services and legal services	1,600,574	1,147,413	39%
Management fees	5,374,379	5,449,316	-1%
Telecommunications	221,431	189,759	17%
Repairs and maintenance	1,420,451	1,309,881	8%
Vehicles maintenance	187,553	178,388	5%
Equipment purchases/lease	205,787	195,554	5%
Supplies/services	1,053,041	1,154,972	-9%
Other expenses	<u>125,208</u>	<u>633,506</u>	-80%
Total operating expenses, excluding depreciation	<u>28,284,908</u>	<u>25,329,345</u>	12%
Operating income before depreciation	(604,785)	5,735,241	-111%
Depreciation expense	<u>(5,933,739)</u>	<u>(4,797,143)</u>	24%
Change in net position	(6,538,524)	938,098	-797%
Net position at beginning of year	<u>128,104,226</u>	<u>127,166,128</u>	1%
Net position at end of year	\$ <u>121,565,702</u>	<u>128,104,226</u>	-5%

ROOSEVELT ISLAND OPERATING CORPORATION
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Management's Discussion and Analysis, Continued

CAPITAL ASSETS

The following summarizes RIOC's net capital assets as of March 31, 2021 and 2020 and the percentage change between fiscal years:

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Seawall	\$ 13,273,435	13,206,943	1%
Buildings and building improvements	44,917,867	31,826,315	41%
Landmarks	9,015,953	9,080,880	-1%
Vehicles and equipment	2,482,138	2,920,082	-15%
Infrastructure	62,984,483	55,524,075	13%
Leasehold improvements	<u>338,410</u>	<u>368,297</u>	-8%
Total capital assets, net	\$ <u>133,012,286</u>	<u>112,926,592</u>	18%

The capital assets of \$133,012,286 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The increase of \$20,085,694 from the prior year is comprised of the addition of new capital assets of \$26,022,266, which are part of RIOC's approved ten-year Capital Plan, offset by annual depreciation of \$5,933,739, and the disposition of old capital assets in the amount of \$19,999 with the corresponding accumulated depreciation on assets disposed of \$17,166. Total depreciation expense for all capital assets amounted to \$5,933,739 and \$4,797,143 for the years ended March 31, 2021 and 2020, respectively. A more detailed analysis of RIOC's capital assets is presented in the notes to financial statements on pages 24-25.

INFRASTRUCTURE ASSETS

The amounts reported in the accompanying statements of net position for capital assets (net of depreciation) of RIOC of \$133,012,286 and \$112,926,592 at March 31, 2021 and 2020, respectively, do not include an amount for two infrastructure items: (1) the bulk of the seawall; and (2) Main Street (the road). Pursuant to the provisions of GASB Statement No. 34, addressing the capitalization of infrastructure assets, infrastructure assets dating from prior to 1980 are not required to be recognized. However, improvements to such infrastructure items are disclosed.

ECONOMIC FACTORS AFFECTING RIOC'S FUTURE FINANCIAL POSITION

Eight (8) of the anticipated nine (9) buildings (collectively, the "Buildings") of the Southtown Development Project have been completed. The Lease for Building 8 ("Ground Lease") was executed as of December 26, 2018 ("Commencement Date"). From the Commencement Date to the earlier of (i) the date upon which one or more Temporary Certificates of Occupancy is issued by the New York City Department of Buildings for at least ninety percent (90%) of the Units in Building 8, or (ii) the second (2nd) anniversary of the Commencement Date, Construction Period Ground Rent shall be payable at the rate of \$24,000 monthly (\$288,000 annually). The earlier of (i) or (ii) in the preceding sentence is the Rent Commencement Date ("RCD"), which occurred on July 19, 2020.

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Management's Discussion and Analysis, Continued

Commencing on the RCD, Ground Rent increased to \$576,000, which shall escalate by 3% annually and be re-set, as set forth in the Ground Lease. In addition, the developer, Hudson Companies Incorporated & the Related Companies L.P. ("Hudson/Related") was required to pay RIOC a Specified Rental Payment ("SRP") of \$16,800,000. According to the lease terms, the SRP was due on the RCD, but Hudson/Related could defer payment until the earlier of (i) a period not to exceed thirty-six (36) months from the RCD, or (ii) developer's sale of development rights under the Inclusionary Housing Program, as set forth in section 23-90 of the New York City Zoning Resolution (ZR), and in either case, all unpaid Specified Rental Payment would bear simple interest at the rate of 4%. Furthermore, Hudson/Related was obligated to contribute \$1,000,000 towards the construction of a comfort station in Firefighter's Field. In light of the COVID-19 pandemic, RIOC has determined that the funds that would have been used to construct the comfort station would be better directed to other construction projects on Roosevelt Island that would benefit the health and safety of the residents of Roosevelt Island. Accordingly, RIOC agreed to release Hudson/Related from the obligation to construct the comfort station and to instead have Hudson/Related pay RIOC the \$1,000,000.

Building 9 Lease closing shall occur no later than 30 months after the Building 8 Lease Closing. Should closing fail to occur within the expected timeframe, RIOC is protected by a Letter of Credit in the amount of \$1,958,400. Unfortunately, due to the outbreak of the novel coronavirus, or COVID-19 pandemic that hit New York City in and around February 2020, negotiations for the ground lease were suspended. The thirty (30) month period for the Building 9 Lease closing was extended six (6) months to December 26, 2021. RIOC, however, anticipates that plans contemplated for the construction of Building 9 will resume at such time it is deemed safe and appropriate.

Roosevelt Landings, formerly known as Eastwood, exited the Mitchell Lama ("ML") program in 2006. Units are now a mix of market rate, enhanced voucher, and Landlord Assistance Plan units, with rents that will convert to market rate upon vacancy. As of March 31, 2021, 390 or 39% of the units have been converted to market rate units. The ground lease for Roosevelt Landings expires in 2068. On October 17, 2019, RIOC's Board of Directors approved the sale of Roosevelt Landings. This property sale was very well received because of the new owner's commitment to maintain affordable housing units within the property. As part of that transaction, BSREP UA Roosevelt Landings, LLC, sold its interests and ground lease obligations in the property to Putnam Harlem JV LP, and Roosevelt Landings Owner, LLC as the beneficial owner to purchaser. The assignment of the lease and rights thereunder, per its terms, triggered a transaction payment due to RIOC in the amount of \$1,816,137. RIOC received that payment on October 23, 2019.

Island House exited from ML on September 28, 2012, under a thirty-year Affordability Plan. At that time, the ground lease for Island House was extended to 2068. This Plan provided a structure for the creation of a leasehold condominium and the conversion of the residential portion of the building to cooperative ownership. The conversion to cooperative ownership occurred on January 1, 2014, the first day of the year following the conversion in accordance with the terms of the lease. At least 65% of the units will either be sold as affordable CO-OPs or remain as affordable rentals; and as of March 31, 2021, 71 or 18% of the units have been converted to market rate.

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Management's Discussion and Analysis, Continued

On or about March 27, 2014 ("Withdrawal Date"), Rivercross Tenants Corp. exited the ML program without settling the financial terms required under Amendment 1 to the Restated Ground Lease. The parties, upon RIOC's Board approval on April 18, 2018, subsequently entered into arbitration and concluded with a settlement agreement with authorization for a second amendment to the Restated Ground Lease ("Second Amendment"), with an effective date of May 30, 2018 ("Effective Date"). Pursuant to the Second Amendment, the ground rent was reset to \$2,500,000 ("Re-Set Ground Rent") per year as of the Withdrawal Date. As of April 1, 2022, and on each fifth anniversary of that date thereafter, the Re-Set Ground Rent will increase by 10%. On the Effective Date, a settlement in the amount of \$10,287,489 ("Settlement Amount") was made for the underpayment of ground rent during the period from the Withdrawal Date to the Effective Date. \$5,273,791 of the Settlement Amount was paid on the Effective Date and the remaining \$5,013,698 was recorded as long-term receivable and will be paid in fifteen (15) equal annual installments of principal, together with interest thereon from the Effective Date at the rate of four percent (4%) per annum, commencing on the first anniversary of the Effective Date, and on each anniversary of such date in subsequent years. On December 11, 2020, the balance in the amount of \$4,467,452 was paid in full.

On July 26, 2018, the ground lease with North Town Phase III Houses, Inc. ("Westview") was amended to: (1) extend the term through December 22, 2068; and (2) document the exit from the ML program in exchange for Westview to be maintained as an affordable housing complex for a period of 30 years pursuant to an Affordability Plan. The Affordability Plan provides that for the next 30 years at least 55% of the 361 residential units, (i.e. at least 199 units) will either be affordable restricted price cooperative apartments or affordable rental units. As of March 31, 2021, all 361 or 100% of the units are affordable. The existing ground rent with respect to the Residential Portion in the amount of \$70,681 per annum remains in effect until the First Ground Rent Adjustment Date. Commencing as of the First Ground Rent Adjustment Date and continuing through and including the day preceding the fifth anniversary of the First Ground Rent Adjustment Date, the Ground Rent shall be \$325,000 per annum, and would increase by 10% every 5 years during the 30-year affordable period, and thereafter at 4% per year. As used herein, the term "First Ground Rent Adjustment Date" means the later of (a) the first day of the Project's fiscal year immediately following the Master Cooperative Closing (provided the Master Cooperative Closing shall occur within three years of the date of this Fourth Amendment), or (b) the date of this Fourth Amendment, if the Master Cooperative Closing does not occur within three years of the date of this Fourth Amendment. If the Master Cooperative Closing occurs more than three years after the date of this Fourth Amendment, then the difference between the ground rent payable on the First Ground Rent Adjustment Date and the existing ground rent for the period between the date of this Fourth Amendment and the Master Cooperative Closing shall be paid to RIOC in twenty-four equal installments, commencing on the first day of the first month following the Master Cooperative Closing. The amended ground lease also caused RIOC to relinquish rights and reduce the amount of retail space within its' portfolio; as those storefronts were excluded from the 2068 extension and thereby cause those property interests to revert back to Westview's owner. As a result, RIOC paid Hudson Related Retail LLC ("HRR") \$329,846 for the unamortized cost of Initial Capital Improvements and subsequent alterations to the commercial space under the Sublease, and Retail Brokerage Fees incurred by HRR in marketing and leasing such commercial space.

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Management's Discussion and Analysis, Continued

The Modernized Aerial Tramway ("Tram"), which was placed in service on November 31, 2010, is an efficient, safe, and relatively quick mode of transportation between Roosevelt Island and mid-town Manhattan. On March 1, 2017, following the issuance of a Request for Proposal ("RFP") and procurement process, RIOC entered into a five-year agreement (along with an optional five-year renewal) with Leitner-Poma for the operation and maintenance ("OM") of the Tram at a fixed cost of \$21,767,456 for 5 years. Upon expiration of the 5-year term, there will be new negotiations for the optional five-year renewal. This contract ensures that the Tram continues to operate in a state-of-the-art condition. Additionally, any long-term repairs or overhauls that are needed will also be covered under the terms of this contract. The cost of the long-term repairs or overhauls are additional expenses that RIOC is responsible for and are approved in advance on an annual basis and included in RIOC's approved ten-year Capital Plan. In addition to securing the above agreement with Leitner-Poma, on February 1, 2018, RIOC entered into an agreement with Hardesty and Hanover, a qualified Engineering Consultant, to provide engineering consulting services for long-term overhaul and maintenance projects for the Tram. This contract will provide RIOC with independent engineering assessments, particularly for long-term overhaul projects with large price estimates. The contract duration is for four years that are contemporaneous with Leitner-Poma's OM contract (along with up to five optional one-year renewals); and the fees are at an hourly rate ranging from \$180 to \$260 with a minimum annual cost of \$50,000. For the fiscal year ended March 31, 2021, the cost was \$0.

During the fiscal year that ended on March 31, 2021, total ridership on the Tram decreased to 825,913 from 2,302,511 and Tramway revenues decreased by \$2,883,535 or 64% over the prior fiscal year ended March 31, 2020. The decrease in ridership is attributed to COVID-19. The Governor's Executive Order New York on PAUSE on or about March 16, 2020, directed non-essential workers to work from home, and implemented social distancing practices. These mandates limit the number of riders on the Tram which resulted in a significant decrease in the capacity for ridership. Consequently, RIOC experienced a precipitous drop in revenue. RIOC anticipates that ridership will eventually return to pre-pandemic numbers as the population is vaccinated. The cost and revenue of the Tram were \$4,884,780 and \$1,642,755, respectively.

Additionally, RIOC, through a competitive bidding process, awarded a contract on December 5, 2017 to build a new Tramway elevator in Manhattan, located on East 63rd street and Second Avenue. Construction is steadily progressing and was due to be completed by Winter 2021. However, RIOC anticipates a delay in this completion date due to the COVID-19 pandemic. Indeed, although construction has continued throughout this uncertain time, delays are bound to occur as vendors have also been impacted by COVID-19. That said, construction is ongoing and is anticipated to be completed by winter of 2021. The estimated cost of this project is \$6.9 million dollars. This project is part of RIOC's approved ten-year Capital Plan and its cost will be provided from RIOC's working capital.

The revitalization of Main Street and improvement of the retail spaces continues. On August 1, 2011 ("Commencement Date"), RIOC entered into a Master Sublease Agreement ("Agreement") with Hudson Related Retail LLC (HRR) to redevelop, improve, market, lease and professionally operate the Retail Spaces controlled by RIOC.

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Management's Discussion and Analysis, Continued

RIOC received an annual guaranteed rent of \$900,000 - increasing by 2% annually beginning on the first anniversary of the Commencement Date for the first five years and 2.5% annually thereafter - as well as participation in the profits of the Master Sub-Lessee. The Agreement was amended on September 30, 2018 due to the expiration and non-renewal of the Westview Commercial Sublease ("Sublease") on July 24, 2018, and the removal of Sublease commercial space from the Agreement. Thus, on July 25, 2018, the compounded annual guaranteed rent of \$1,023,507 was reduced to \$910,746.

As mentioned above, RIOC paid HRR \$329,846 for the unamortized cost of Initial Capital Improvements and subsequent alterations to the commercial space under the Sublease, and Retail Brokerage Fees incurred by HRR in marketing and leasing such commercial space. HRR was required to invest no less than \$2,365,000 in the aggregate in capital improvements during the first five years of the Agreement. According to its certified financial statements as of December 31, 2020, HRR invested \$3,593,763 and reported a loss of \$394,339. According to the Agreement, RIOC will share future profits equally once HRR is paid back its investment. HRR has yet to make any profit-sharing payment.

Roosevelt Island was selected by the City of New York ("City") for the site of the Cornell Tech Applied Sciences Graduate School ("Cornell"). The project, forecasted to be built in three phases over a twenty-year period, will be located on the City's Goldwater Hospital site ("Goldwater Site"). Because of resolutions passed by the Board of Directors, RIOC worked with Cornell throughout Phase I construction and will continue coordination throughout all construction phases. RIOC received, among other things, new roads and a new sewage system around the construction site because of its contributions to this project.

On December 21, 2013, the RIOC Board of Directors resolved, among other things, to amend its Master Lease with the City to exclude an additional 2.62 acres ("Parcel") surrounding the Goldwater Site so that it could be incorporated into the 9.8 acres being used for Cornell. As part of the surrender of the Parcel back to the City, the State made a commitment to fund an amount equivalent to \$1,000,000 annually for 55 years (escalating 2.5% every 10 years) with payment fully made by December 31, 2018 to support capital infrastructure improvements on Roosevelt Island as determined in accordance with state budgetary procedure. RIOC received the full payment in the amount of \$25,028,000 in December 2018. In addition, Cornell pays RIOC \$400,000 annually for 55 years, (increasing by 2% every 10 years) for the parcel of land that it received.

Three of the five buildings in Phase I of the Cornell project, an academic building, a corporate co-location building, and graduate student housing, were completed in August 2017, and the campus officially opened for classes in the same month. Cornell has begun construction of the remainder of Phase I, which includes two additional buildings, an approximately 100-room hotel and an executive education center. This construction began in March 2018 and is projected to be completed by Winter 2021. Phases II and III of the Cornell projects are have not started and are not required to be proposed before 2027.

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Management's Discussion and Analysis, Continued

In February 2021, RIOC issued a request for proposal (RFP) for the renovation of Sportspark, which was awarded in March 2021 with an anticipated completion by late Summer 2022. The project's construction cost is \$10 million. Renovations will overhaul the HVAC system, improve, and repair other critical systems, improve the men's and women's locker rooms and bathrooms, and replace the windows and doors. Additional improvements include an updated gymnasium and exterior façade as well as overall programmatic upgrades. The cost of this project will be funded through RIOC's working capital.

In March 2017, RIOC issued an RFP seeking a qualified contractor with landmark restoration experience to perform renovations for the interior of Blackwell House, New York City's sixth oldest house and Roosevelt Island's oldest landmarked building. Following the procurement process, RIOC entered into a contract with the successful bidder to perform all necessary repairs including stabilizing and waterproofing the building's infrastructure, installing new windows, and ADA-compliant access ramps. The project restored the interior of the house to make it a community space for Roosevelt Island residents, as well as a tourism focal point of Main Street for visitors. Blackwell house was opened to the public in November of 2020. The project cost \$3.2 million dollars and was funded through RIOC's working capital.

In March 2017, RIOC issued an RFP for the first phase of enhancements at its Youth Center, located on Main Street. Construction for the first phase, which included replacement of the roof and terrace, was completed in October 2017. Phase II of this project continues with replacing the windows in the main room that overlooks the courtyard, modernizing and beautifying the layout and interior design of the facility, including upgrades to the bathrooms to conform to ADA standards, expanding the teaching kitchen, new lighting, doors and other critical systems. The scope of the project was expanded and, as a result, the original contract for the project was terminated; another RFP was issued in January 2019; and the project resumed in May 2019. The project is now substantially completed. The Youth Center is anticipated to open in Spring of 2021 pending FDNY approvals. The project's construction cost was \$2.17 million, which was funded through RIOC's working capital.

On March 13, 2018, RIOC issued an RFP seeking bids for architectural design services for a dedicated Bike Ramp for bicyclists traveling between the Roosevelt Island Bridge and street level on the Island. On July 23, 2018, RIOC entered into contract with the successful bidder to provide the design services and collaborate on the project from design through construction. The Bike Ramp will improve safety for both cyclists and motorists and increase ease of access for cyclists coming onto the Island. The estimated cost is \$4 million dollars. RIOC intends to fund the project in part by use of a grant in the amount of \$2,963,705 in federal transportation funds awarded to RIOC through the Transportation Alternative Program (TAP) - Congestion Mitigation and Air Quality (CMAQ) Improvement Program, with the remainder funded through RIOC's capital program. RIOC has also had discussions with select state and local officials concerning additional contributions of capital funds. The grant requires four separate reviews by NYS DOT. RIOC submitted for the first review and received approvals and planned to make the second submission in FY 2122. The project provides a vital link for cyclists between the Island and dedicated bike lanes in Queens and is expected to be used by Island residents, visitors and commuters. This project is expected to be completed by the Fall of 2022.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis, Continued

On April 24, 2019, New York State Department of Transportation awarded RIOC \$5,000,000 for funding a Bike Lane. This is a reimbursement funding that will cover up to 80% of eligible cost. Total cost of the project is \$6.25M. This project was expected to start in the Spring of 2020 and be completed by Summer 2021. However, the design schedule has been extended due to COVID-19, and the completion is yet to be determined.

Design documents to reconstruct the seawall in Southpoint Park, which extends from the northern tip of the park to the beginning of the Four Freedoms State Park on both the east and west sides, extending approximately 1600 linear feet, are complete. RIOC received permits from City, State and Federal oversight agencies with jurisdiction over work operation. RIOC estimates that the repairs will cost approximately \$11 million dollars. RIOC anticipates receiving \$604,000 from Federal Emergency Management Agency (FEMA) for the damage caused by Hurricane Irene and Superstorm Sandy. In March 2021, RIOC received a partial payment of \$453,00 from FEMA and expects to receive the remaining \$151,000. The balance of the cost will be provided through RIOC's working capital. The project will also remediate contaminated soil conditions and remove construction debris placed along the shoreline. On March 30, 2020, RIOC issued an RFP for construction to hire contractors through its competitive bidding process to complete the work. The successful bidder was awarded the contract on July 1, 2020. The approved permits for waterside operations prohibit working in the water between March and June. This restriction, among others due to COVID-19, may extend the construction duration to approximately two years.

On February 7, 2018, RIOC issued an RFP seeking professional services from a qualified firm to redevelop and repair Octagon Field, one of Roosevelt Island's most popular outdoor fields. The first phase of improvements at Octagon Field, including the installation of a new synthetic turf, new LED lighting fixtures and path upgrades were completed in Fall 2019, at a cost of \$1.1 million dollars, which was provided through RIOC's working capital. At the opening day ceremony, RIOC renamed the field to honor, John McManus, its' recently deceased Chief of Public Safety Department. During his tenure as the Chief of RIOC's Public Safety Department, Jack dedicated many hours to coaching youth soccer teams. When the field reopened, permit requests stabilized to equal pre-construction numbers. RIOC had planned a second phase of improvements, valued at \$5.9 million dollars, to reconstruct and expand the public rest room, install a new shade structure, create new ADA accessible seating areas, install new ADA compliant paths and improve landscaped areas. However, these additional improvements were stalled due to COVID-19. RIOC has now resumed this project. The total estimated cost of the project is \$5.9 million dollars, which will be provided through RIOC's working capital.

On January 9, 2019, RIOC issued an RFP seeking bids to renovate a section of the Motorgate structure. Motorgate is the central parking facility for Roosevelt Island residents. Renovation includes repair of spalled and delaminated concrete support beams inside the garage, repair of concrete deck and ceilings, including connecting joints, application of waterproofing system on parking deck, ramps, walkways, and curbs, removal and replacement of existing floor drains, and restriping of parking spaces, installation of electric charging stations, and installation of new directional signage. Bids were received on March 6, 2019 and the selection of the successful bidder

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis, Continued

was made in April 2019. The project started in June 2019 and was delayed by the COVID-19 pandemic. However, this project is anticipated to be completed later in 2021 at a total cost of \$20.3 million dollars, which will be provided through RIOC's working capital.

Roosevelt Island's Automated Vacuum Collection system ("AVAC") is a network of underground pneumatic tubes that connects every building to a central garbage collection station ("Terminal Station"). AVAC uses vacuum to pull garbage through these tubes and empties it into large containers for carting off the Island. AVAC, one of the first full-scale pneumatic installations in the world, is now in need of upgrading as its original equipment is near the end of its expected life.

The first phase of improvements to modernize the AVAC were completed in March 2020. These upgrades, at a cost estimate of approximately \$2M, required piping, replaced outdated controls, piping and exhaust systems and installed new laser sensors that automated steps in the collection process. These upgrades have greatly reduced the annual energy consumption at the facility. A second phase of work will replace equipment and controls in the building including the separator, compactor, compressor and ancillary systems. This is in the early planning and budget phase, design work was scheduled to start in FY21; however, due to the COVID-19 pandemic, it is now uncertain as to when this phase will be scheduled. That said, the AVAC system is fully operational and capable of servicing all of Roosevelt Island needs.

The Lighthouse, a historical landmark located at the northern tip of the Island, needs an overhaul to restore its interior and exterior. Also, there are two wooden bridges leading to the Lighthouse that had deteriorated and needed to be replaced. Replacement of the wooden bridges commenced in April 2019 and was completed by May 2019. The renovation of the Lighthouse is to be done in two phases. Proposed designs were reviewed and approved by the State Historic Preservation Office. The project will restore the interior stairs, lighthouse tower and reconstruct the lantern to match the original Renwick profile. Designs were completed in June 2020, and an RFP for construction services was issued in March 2021. The project was awarded to the successful bidder at a cost of \$2.6 million dollars, which will be provided through RIOC's working capital.

The expansion of Lighthouse park design commenced in Fall 2019 and was scheduled to be completed in Summer 2020. However, due to the COVID-19 pandemic, this project is currently on hold until further notice. The total estimated cost of the project is \$15 million dollars, which will be provided through RIOC's working capital.

The Smallpox Hospital, another historical landmark located on the southern end of the Island, was the first major U.S. hospital dedicated to the care of victims of smallpox. It is now a ruin in need of stabilization and restoration. With approval from RIOC, a stabilization study was done by the Four Freedoms Park Conservancy, operator of the Franklin D. Roosevelt Four Freedom Park, which is adjacent to the Smallpox Hospital.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Management's Discussion and Analysis, Continued

The stabilization study concluded in Schematic Design drawings detailing the structural needs of the ruin and an estimated cost to complete the restoration work is being evaluated. RIOC subsequently applied and received funding in the amount of \$500,000 from New York State to complete the stabilization studies and prepare full construction documents. All survey and investigative work are complete, a final report with phasing options and estimates is under review. The architect continues to work on construction documents which will be complete by January 2021. The balance of the cost will be provided through RIOC's working capital.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of RIOC's finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer, The Roosevelt Island Operating Corporation, 591 Main Street, Roosevelt Island, New York 10044.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Net Position
March 31, 2021 and 2020

	<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:			
Cash		\$ 3,513,428	2,904,561
Short-term investments		28,481,275	53,384,540
Receivables		18,318,000	471,390
Prepaid expenses		<u>482,256</u>	<u>220,139</u>
Total current assets		50,794,959	56,980,630
Noncurrent investments		7,165,943	7,084,579
Long-term receivables		-	4,345,205
Capital assets, net of accumulated depreciation		<u>133,012,286</u>	<u>112,926,592</u>
Total assets		<u>190,973,188</u>	<u>181,337,006</u>
Deferred outflows of resources:			
Pensions		2,940,606	1,146,069
OPEB		<u>2,502,478</u>	<u>1,898,665</u>
Total deferred outflows of resources		<u>5,443,084</u>	<u>3,044,734</u>
	<u>Liabilities</u>		
Current liabilities - accounts payable and accrued expenses		2,892,778	3,736,800
Compensated absences		1,033,023	746,772
Unearned revenue		51,071,842	35,254,812
Total OPEB liability		12,352,555	10,915,605
Net pension liability - proportionate share - ERS		<u>4,021,372</u>	<u>1,085,061</u>
Commitments and contingencies (note 9)			
Total liabilities		<u>71,371,570</u>	<u>51,739,050</u>
Deferred inflows of resources:			
Pensions		224,136	476,298
OPEB		<u>3,254,864</u>	<u>4,062,166</u>
Total deferred inflows of resources		<u>3,479,000</u>	<u>4,538,464</u>
Net position:			
Net investment in capital assets		133,012,286	112,926,592
Restricted for capital projects		792,023	13,698,290
Unrestricted		<u>(12,238,607)</u>	<u>1,479,344</u>
Total net position		<u>\$ 121,565,702</u>	<u>128,104,226</u>

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Revenues, Expenses and Changes in Net Position
Years ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenue:		
Residential fees	\$ 1,682,789	3,267,873
Ground rent	14,636,811	14,352,953
Commercial rent	1,661,743	1,635,567
Tramway revenue	1,642,755	4,526,290
Public safety reimbursement	2,205,103	2,089,069
Transport/parking revenue	2,295,009	2,536,106
Interest income	998,974	1,660,035
Unrealized loss	(2,833)	(17,041)
Other revenue	<u>2,559,772</u>	<u>1,013,734</u>
Total operating revenue	<u>27,680,123</u>	<u>31,064,586</u>
Operating expenses:		
Personal services	14,948,984	13,286,860
Insurance	3,147,500	1,783,696
Professional services and legal services	1,600,574	1,147,413
Management fees	5,374,379	5,449,316
Telecommunications	221,431	189,759
Repairs and maintenance	1,420,451	1,309,881
Vehicles maintenance	187,553	178,388
Equipment purchases/lease	205,787	195,554
Supplies/services	1,053,041	1,154,972
Other expenses	<u>125,208</u>	<u>633,506</u>
Total operating expenses, excluding depreciation	<u>28,284,908</u>	<u>25,329,345</u>
Operating income before depreciation	(604,785)	5,735,241
Depreciation expense	<u>(5,933,739)</u>	<u>(4,797,143)</u>
Change in net position	(6,538,524)	938,098
Net position at beginning of year	<u>128,104,226</u>	<u>127,166,128</u>
Net position at end of year	<u>\$ 121,565,702</u>	<u>128,104,226</u>

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Cash Flows
Years ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 29,998,581	31,230,527
Payments related to employees	(13,782,788)	(11,857,489)
Payments to vendors	(14,406,561)	(11,990,527)
Net cash provided by operating activities	<u>1,809,232</u>	<u>7,382,511</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(26,022,266)	(24,769,352)
Sale (purchase) of noncurrent investments	(81,364)	2,946,845
Sale of short-term investments	24,903,265	12,937,811
Net cash used in capital and related financing activities	<u>(1,200,365)</u>	<u>(8,884,696)</u>
Net change in cash	608,867	(1,502,185)
Cash at beginning of year	<u>2,904,561</u>	<u>4,406,746</u>
Cash at end of year	<u>\$ 3,513,428</u>	<u>2,904,561</u>
Cash flows from operating activities:		
Change in net position	(6,538,524)	938,098
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	5,933,739	4,797,143
Loss on disposition of asset	2,833	17,041
Changes in:		
Receivables	(13,501,405)	872,077
Prepaid expenses	(262,117)	179,248
Deferred outflows of resources	(2,398,350)	(1,415,712)
Accounts payable and accrued expenses	(844,022)	1,011,266
Compensated absences	286,251	(23,545)
Unearned revenue	15,817,030	(723,177)
Total OPEB liability	1,436,950	(339,659)
Net pension liability - proportionate share - ERS	2,936,311	666,284
Deferred inflows of resources	<u>(1,059,464)</u>	<u>1,403,447</u>
Net cash provided by operating activities	<u>\$ 1,809,232</u>	<u>7,382,511</u>

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2021 and 2020

(1) Organization

In 1969, the City of New York entered into a lease with the New York State Urban Development Corporation (UDC) for the development of Roosevelt Island. In May 1981, pursuant to a memorandum of understanding between UDC and the New York State Division of Housing and Community Renewal (DHCR), responsibility for Roosevelt Island was assigned to DHCR. DHCR then assigned all of its rights and responsibilities to Safe Affordable Housing for Everyone, Inc. (SAHE), a corporation under the direct control of the New York State Commissioner of Housing.

Effective April 1, 1981, SAHE, a Community Development Corporation (formed under Article (6) of the Private Housing Finance Law), became responsible for the day-to-day operation of the services and facilities of Roosevelt Island.

On September 4, 1984, Roosevelt Island Operating Corporation (RIOC or the Corporation) was organized pursuant to Chapter 899 of the New York Unconsolidated Law as a public benefit corporation. The responsibility for the operation, security and maintenance of Roosevelt Island was transferred from SAHE to RIOC on April 1, 1985.

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board (GASB) codification 2100, The Financial Reporting Entity, have been considered and there are no agencies or entities which should be, but are not, combined with the financial statements of RIOC. However, RIOC is considered a component unit of the State of New York.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

RIOC was created by the New York State Legislature in 1984 as a public benefit corporation charged with maintaining, operating, and developing Roosevelt Island. RIOC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities of the Corporation. These statements are presented in a manner similar to a private business. While additional information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that RIOC is properly performing its contractual obligations.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(a) Basis of Presentation, Continued

The financial statements of RIOC are prepared in accordance with generally accepted accounting principles (GAAP). RIOC's reporting entity applies all relevant GASB pronouncements and Accounting Principles Board (APB) opinions issued before November 30, 1989, unless they conflict with GASB pronouncements.

(b) Budgetary Information

During the fiscal year ended March 31, 2021, RIOC did not request appropriations from the State of New York. Accordingly, budgetary information was not included in the notes to financial statements. However, the Board did approve an operating budget, which is included as other supplementary information.

(c) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash - deposits	\$ <u>3,513,428</u>	<u>2,904,561</u>
Short-term investments:		
Certificates of deposit (CDARS)	243,592	21,542,758
Insured cash sweep (ICS)	22,864,727	28,599,411
Money market accounts	<u>5,372,956</u>	<u>3,242,371</u>
	<u>28,481,275</u>	<u>53,384,540</u>
Total cash and short-term investments	\$ <u>31,994,703</u>	<u>56,289,101</u>

RIOC defines cash and cash equivalents as short-term, highly liquid investments with purchased maturities of three months or less.

The money market and cash accounts are secured by a letter of credit from Federal Home Loan Bank of Chicago and collateral securities held in escrow by JP Morgan Chase Bank, NA and managed by the National Collateral Management Group with market values totaling \$20,000,000 as of March 31, 2021 and 2020.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(c) Cash and Cash Equivalents, Continued

Investments managed internally consist of certificates of deposit, "CDARS", and insured cash sweep, "ICS", which are Federal Deposit Insurance Corporation (FDIC) insured programs administered by Amalgamated Bank, with purchased maturities of twelve months or less, and interest bearing cash deposit accounts. RIOC's investment guidelines limited its investments of funds primarily to obligations of the United States of America (United States Government Securities), the State of New York, high grade Corporate Securities or certificates of deposit. All cash and funds invested in certificates in any fiduciary bank or trust company must be secured at all times by United States Government Securities or obligations of the State of New York with a market value, combined with any FDIC coverage, at least equal to the amount of such deposits. Monies held by the Trustees are only secured by obligations guaranteed by the United States of America.

(d) Noncurrent Investments

This represents funds set aside to satisfy the obligation for postemployment benefits other than pensions under GASB Statement No. 75 and are invested in collateralized money market accounts and CDARS. The carrying amount of these investments are \$7,165,943 and \$7,084,579 for the years ended March 31, 2021 and 2020, respectively. The CDARS are fully insured by FDIC.

(e) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported on the statements of net position in the accompanying financial statements. Capital assets are defined by RIOC as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of RIOC are depreciated using the straight-line method over the following estimated useful lives:

Seawall (improvement of 1995)	73
Buildings	40
Building improvements	15
Infrastructure	50
Vehicles	10
Office equipment	5
Computer equipment	5
Leasehold improvements	15

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Compensated Absences

It is RIOC's policy to accrue for unused absences for all full time employees. Accrued compensatory time as of March 31, 2021 and 2020 were \$1,033,023 and \$746,772, respectively.

(g) Unearned Revenue

Unearned revenue reported in the statements of net position represent amounts collected in advance for lease-related payments pertaining to subsequent fiscal years. These amounts will be recognized as income on an annual basis over a period of the remaining forty-seven years on the ground lease for the City of New York (the City) expiring in 2068 under the accrual basis of accounting.

Breakdown is as follows:

<u>Buildings</u>	Balance at April 1, <u>20120</u>	<u>Additions</u>	<u>Amortization</u>	Balance at March 31, <u>2021</u>
Octagon	\$ 2,308,525	-	(47,355)	2,261,170
Southtown Bldg #1	1,551,980	-	(31,838)	1,520,142
Southtown Bldg #2	1,480,927	-	(30,377)	1,450,550
Southtown Bldg #3	3,164,871	-	(64,921)	3,099,950
Southtown Bldg #4	4,126,283	-	(84,642)	4,041,641
Southtown Bldg #5	5,269,219	-	(108,086)	5,161,133
Southtown Bldg #6	8,110,373	-	(166,366)	7,944,007
Southtown Bldg #7	9,242,634	-	(189,592)	9,053,042
Southtown Bldg #8	<u>-</u>	<u>16,800,000</u>	<u>(259,793)</u>	<u>16,540,207</u>
Total	\$ <u>35,254,812</u>	<u>16,800,000</u>	<u>(982,970)</u>	<u>51,071,842</u>

(h) Public Purpose Grants

Included in "Other expenses" are expenditures for public purpose grants of \$338,000 for the year ended March 31, 2020. The grants were awarded to various Island-based not-for-profits upon evaluation of their applications and Board approval.

(i) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets, deferred outflows of resources and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) Deferred Outflows and Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. Pensions and OPEB have deferred outflows of resources. For pensions, the Corporation has two items that qualify for reporting in this category. The first item represents changes in the Corporation's proportion of the collective net pension liability New York State and Local Employees' Retirement System (ERS) and includes differences between expected and actual experience with regard to economic and demographic factors and the net difference between projected and actual investment earnings on pension plan investments. The second item is the Corporation contributions to the pension system (ERS) subsequent to the measurement date. For OPEB, the Corporation has two items that qualify for reporting in this category; the first represents the change of assumptions or other inputs, and the second represents estimated net contributions subsequent to the measurement date.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Pensions and OPEB have deferred inflows of resources. For pensions, the Corporation has one item that qualifies for reporting in this category and represents changes in the Corporation's proportion of the collective net pension liability (ERS) and difference during the measurement periods between the Corporation's contributions and its proportion share of total contributions to the pension system not included in pension expense. For OPEB, the Corporation has two items that qualify for reporting in this category; the first represents the difference between actual and expected experience, and the second represents the changes of assumptions or other inputs.

(k) Accounting and Financial Reporting for Pensions

The Corporation has adopted the provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transitions for Contributions Made Subsequent to the Measurement Date - an Amendment to GASB Statement No. 68." These Statements require the Corporation to report as an asset and/or liability its portion of the collective pension asset and/or liability in the New York State and Local Retirement System. The implementation of these Statements also requires the Corporation to report deferred outflows and/or inflows of resources for the effect of the net change in the Corporation's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Corporation's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as deferred outflows of resources are the Corporation contributions to the pension system subsequent to the March 31, 2020 measurement date. See notes 7(b-h).

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(3) Capital Assets

Capital assets for the year ended March 31, 2021 are summarized as follows:

	Balance at April 1, <u>2020</u>	<u>Increase</u>	<u>Decrease</u>	Balance at March 31, <u>2021</u>
Capital assets:				
Seawall	\$ 14,685,116	268,743	-	14,953,859
Building and building improvements	71,744,400	16,303,685	-	88,048,085
Landmarks	18,238,291	241,341	-	18,479,632
Vehicles	4,565,298	61,755	(19,999)	4,607,054
Equipment	4,403,043	187,616	-	4,590,659
Infrastructure	72,098,510	8,959,126	-	81,057,636
Leasehold improvement	<u>448,303</u>	<u>-</u>	<u>-</u>	<u>448,303</u>
Total capital assets	<u>186,182,961</u>	<u>26,022,266</u>	<u>(19,999)</u>	<u>212,185,228</u>
Less accumulated depreciation:				
Seawall	(1,478,173)	(202,251)	-	(1,680,424)
Building and building improvements	(39,918,085)	(3,212,133)	-	(43,130,218)
Landmarks	(9,157,411)	(306,268)	-	(9,463,679)
Vehicles	(3,070,831)	(218,440)	17,166	(3,272,105)
Equipment	(2,977,428)	(466,042)	-	(3,443,470)
Infrastructure	(16,574,435)	(1,498,718)	-	(18,073,153)
Leasehold improvement	<u>(80,006)</u>	<u>(29,887)</u>	<u>-</u>	<u>(109,893)</u>
Total accumulated depreciation	<u>(73,256,369)</u>	<u>(5,933,739)</u>	<u>17,166</u>	<u>(79,172,942)</u>
Net capital assets	\$ <u>112,926,592</u>	<u>20,088,527</u>	<u>(2,833)</u>	<u>133,012,286</u>

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(3) Capital Assets, Continued

Capital assets for the year ended March 31, 2020 are summarized as follows:

	Balance at April 1, <u>2019</u>	<u>Increase</u>	<u>Decrease</u>	Balance at March 31, <u>2020</u>
Capital assets:				
Seawall	\$ 10,707,132	3,977,984	-	14,685,116
Building and building improvements	58,013,056	13,777,932	(46,588)	71,744,400
Landmarks	17,464,805	773,486	-	18,238,291
Vehicles	4,502,091	87,845	(24,638)	4,565,298
Equipment	3,762,112	640,931	-	4,403,043
Infrastructure	66,589,444	5,511,174	(2,108)	72,098,510
Leasehold improvement	<u>448,303</u>	<u>-</u>	<u>-</u>	<u>448,303</u>
Total capital assets	<u>161,486,943</u>	<u>24,769,352</u>	<u>(73,334)</u>	<u>186,182,961</u>
Less accumulated depreciation:				
Seawall	(1,299,940)	(178,233)	-	(1,478,173)
Building and building improvements	(37,794,613)	(2,170,060)	46,588	(39,918,085)
Landmarks	(8,864,530)	(292,881)	-	(9,157,411)
Vehicles	(2,758,033)	(320,395)	7,597	(3,070,831)
Equipment	(2,547,753)	(429,675)	-	(2,977,428)
Infrastructure	(15,200,531)	(1,376,012)	2,108	(16,574,435)
Leasehold improvement	<u>(50,119)</u>	<u>(29,887)</u>	<u>-</u>	<u>(80,006)</u>
Total accumulated depreciation	<u>(68,515,519)</u>	<u>(4,797,143)</u>	<u>56,293</u>	<u>(73,256,369)</u>
Net capital assets	\$ <u>92,971,424</u>	<u>19,972,209</u>	<u>(17,041)</u>	<u>112,926,592</u>

(4) Operating Revenues, Basic Rent and Housing Company Reimbursement

Operating revenues in the accompanying statements of revenues, expenses and changes in net position consist of income derived from the following sources:

(a) Residential Fees

The net present value (NPV) fee for Octagon and Southtown buildings #1, 2, 3, 4, 5, 6, and 7 were collected in advance and recognized over the term of the lease. The NPV fee for Southtown building #8 was earned in advance in fiscal year 2021 but yet to be collected and is recognized over the term of the lease - see above section 2(g) Unearned Revenue. Tax equivalent payments (TEP) are collected and recognized from Southtown buildings #5, 6, 7, and 8 over the term of the lease. Condo sales fees are collected and recognized upon closing of a sale. TEP and NPV are fixed and the Condo fees vary according to sales.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(4) Operating Revenues, Basic Rent and Housing Company Reimbursement, Continued

(b) Ground Rent

Ground rents are derived from ground subleases between RIOC and various developers of housing on Roosevelt Island. Most of the ground subleases expire in 2068, which coincides with the expiration of the master lease between RIOC and the City, the owner of Roosevelt Island. Ground rents account for nearly 53% of annual revenues. The two main sources of ground rents are Manhattan Park and Roosevelt Landings (formerly Eastwood). The other streams of ground rents are from Southtown Buildings #1, 2, 3, 4, 5, 6, 7 and 8; Island House; Rivercross; and Octagon.

Manhattan Park - Under the terms of the ground sublease between RIOC and Roosevelt Island Associates dated August 4, 1986 and expiring in 2068, annual rent, which commenced on the Rent Commencement Date of January 1, 1991, consists of a base ground rent of \$100,000 and additional fixed ground rent of \$1,900,000, increasing \$100,000 annually through December 31, 2011. As of January 1, 2012 and continuing through December 31, 2026, annual ground rent consists of the base ground rent of \$100,000 and additional fixed ground rent of \$4,000,000. Beyond 2026 until expiration in 2068, the ground rent is based upon the appraised value of the property times an applicable percentage, which is the market rate of return. Ground rents earned under the terms of the ground sublease were \$4,100,000 for the years ended March 31, 2021 and 2020.

In addition to the ground rent mentioned above, RIOC received a percentage payment, which is based on a tiered percentage formula of Manhattan Park's gross income. As of January 1, 2012 and continuing through December 31, 2026, the percentage payment will increase by the excess of the applicable percentages of gross income over the sum of the prior year's fixed ground rent of \$4,100,000 and percentage rent of \$2,040,649. For the years ended March 31, 2021 and 2020, the percentage rent earned was \$2,040,649.

Cornell - The Master Lease between RIOC and the City dated December 23, 1969 was amended on December 19, 2013 ("Effective Date") to exclude an additional 2.62 acres ("Parcel") surrounding the Goldwater Site so that it could be incorporated into the 9.8 acres being used for Cornell. As part of the surrender of the Parcel back to the City, the State made a commitment to fund an amount equivalent to \$1,000,000 annually for 55 years (escalating 2.5% every 10 years) with payment fully made by December 31, 2018 to support capital infrastructure improvements on Roosevelt Island as determined in accordance with state budgetary procedure. RIOC received the full payment in the amount of \$25,028,000 in December 2018. Commencing on the Effective Date, Cornell pays RIOC \$400,000 annually for 55 years, (increasing by 2% every 10 years) for the Parcel that it received.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(4) Operating Revenues, Basic Rent and Housing Company Reimbursement, Continued

(b) Ground Rent, Continued

Putnam Harlem JV LP (formerly BSREP) - Pursuant to an Amended and Restated Lease between RIOC and North Town Roosevelt, LLC (“North Town”) dated September 21, 2006 (the “Eastwood Lease”), the base ground rent increased to \$1 million per year effective October 1, 2006, plus a percentage increase in accordance with annual rent rolls increases. Ground rents earned totaled \$1,802,598 and \$1,784,450 for the years ended March 31, 2021 and 2020, respectively.

Northtown Phase II Houses, Inc. (Island House) - The ground sublease between RIOC and North Town Phase II Houses, Inc., dated October 30, 1972, was amended with the base rent increasing from \$136,000 to \$236,000 per year effective January 1, 2013 - increasing by 10% on each 5th anniversary for 30 years.

Northtown Phase IV Houses, Inc. (Rivercross) - Pursuant to the Second Amendment of the Restated Lease between RIOC and Rivercross dated May 30, 2018 (“Effective Date”), the ground rent was reset to \$2,500,000 (“Re-Set Ground Rent”) per year effective as of March 27, 2014. As of April 1, 2022, and on each fifth anniversary of that date thereafter, the Re-Set Ground Rent will increase by 10%. On the Effective Date, a settlement in the amount of \$10,287,489 (“Settlement Amount”) was made for the underpayment of ground rent during the period from the Withdrawal Date to the Effective Date. \$5,273,791 of the Settlement Amount was paid on the Effective Date and the remaining \$5,013,698 will be paid in fifteen (15) equal annual installments of principal, together with interest thereon from the Effective Date at the rate of four percent (4%) per annum, commencing on the first anniversary of the Effective Date, and on each anniversary of such date in subsequent years. On December 11, 2020, the balance in the amount of \$4,467,452 was paid in full.

Ground rents for Southtown Buildings #1, 2, 3 and 4 and for a portion of Buildings #5, 6, 7 and 8, as well as the Octagon were paid in advance and are reflected under note 2 paragraph (g) Unearned revenue. Ground rents earned for Building #1-8 totaled \$3,221,929 and \$2,956,767 for the years ended March 31, 2021 and 2020, respectively.

(c) Commercial Rent

On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC (HRR) to redevelop, improve, market, lease and professionally operate the Commercial Retail Spaces controlled by RIOC. HRR will pay RIOC an annual guaranteed rent of \$900,000 - escalating by 2% annually for the first five years and 2.5% annually thereafter, plus participation in the profits of HRR. According to the agreement, RIOC will share future profits evenly once HRR is paid back its investment. According to its certified financial statements as of December 31, 2020, HRR invested \$3,593,763 and reported a loss of \$394,339.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(4) Operating Revenues, Basic Rent and Housing Company Reimbursement, Continued

(c) Commercial Rent, Continued

In addition, RIOC entered into a license with HCK Recreation, Inc. (“HCK”) on November 16, 1989 for the operation of a tennis facility, which was amended three times with the latest amendment requiring HCK to pay the greater of \$275,000 per annum or 10% of gross receipts for the period May 1, 2016 to April 30, 2021. Furthermore, on January 15, 2002, RIOC entered into an agreement with The Child School (“School”) to develop and operate the School. The agreement requires the School to pay \$275,000 per annum with an escalation in an amount equal to the percentage increase in the State’s Education Department tuition reimbursement received by the School.

(d) Tramway Revenue

During February 2004, RIOC entered into an agreement with The New York City Transit Authority (“NYCTA”) for revenue collection from the Tramway. In the agreement, RIOC receives from the NYCTA a fare of \$2.00 for all swipes of full-fare Metro Cards, including transfers, in turnstiles located in RIOC’s tram stations. The funds are transmitted to RIOC via electronic funds transfer and the NYCTA supplies appropriate reports for the reconciliation of the revenue and ridership. There is a franchise fee expense associated with this agreement that is ½ of 1 percent of gross sales. Tramway revenues were \$1,642,755 and \$4,526,290 for the years ended March 31, 2021 and 2020, respectively. Tramway costs were \$4,884,780 and \$4,814,596 for the years ended March 31, 2021 and 2020, respectively.

(e) Public Safety Reimbursement

The intent of the initial agreements with the four original Mitchell-Lama housing projects (the “WIRE Projects”) was for RIOC to recoup approximately 50% of the cost of maintaining a public safety department on the Island. Accordingly, no less than 50% of such costs have been reimbursed by the WIRE Projects and are included in public safety reimbursement on the accompanying statements of revenues, expenses and changes in fund net position. Additionally, Manhattan Park, Southtown and the Octagon projects are responsible for their respective share of the cost of RIOC’s public safety department (“PSD”). Public safety reimbursements were \$2,205,103 and \$2,089,069 for the years ended March 31, 2021 and 2020, respectively. PSD costs were \$4,740,587 and \$4,193,777, for the years ended March 31, 2021 and 2020, respectively.

(f) Transportation and Parking Fees

The Motorgate Garage, the Roosevelt Island parking facility, is managed by SP Plus (“SP”) under an agreement which expired but parties are continuing to adhere to its terms. This agreement is cancelable by RIOC on 30-day notice and by SP on 180-day notice. SP collects the parking fees and pays the operating costs in connection with the management of the garage. The excess of parking revenues over operating costs is returned to RIOC. RIOC shares the Motorgate revenue with Roosevelt Island Associates, operator of Manhattan Park, with RIOC receiving 61% of the net income.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(4) Operating Revenues, Basic Rent and Housing Company Reimbursement, Continued

(f) Transportation and Parking Fees, Continued

RIOC's share of Motorgate revenues totaled \$1,931,391 and \$2,083,510 for the years ended March 31, 2021 and 2020, respectively. Parking costs were \$922,764 and \$1,137,319, for the years ended March 31, 2021 and 2020, respectively. Transportation revenues from the provision of bus services totaled \$130,439 and \$127,881 for the years ended March 31, 2021 and 2020, respectively. The cost of running the bus service totaled \$1,571,434 and \$1,342,039 for the same respective periods. Additionally, revenues from street parking meters for these periods totaled \$233,179 and \$324,715, respectively.

(g) Interest and Other Revenues

Interest income is derived from deposits that are either FDIC insured or collateralized by government securities according to the investment guidelines of the State of New York. Other revenues comprised of fees for usage of the sports fields and facilities.

(h) De-designation Fee Income

The Development Agreement for Southtown buildings ("Buildings") seven (7) through nine (9) between Hudson Related Joint Venture ("Developer") and RIOCI included a contingent de-designation (cancellation of project or portion of) fee of \$1,958,400. The Development Agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of \$2,438,400 maturing on August 15, 2019, to be renewed annually. The Building 8 Lease was closed on December 26, 2018 and construction was substantially completed on July 19, 2020. The Building 9 Lease closing shall occur no later than 30 months after the Building 8 Lease Closing. Should development fail to occur within the expected timeframe, RIOCI is protected by a Letter of Credit in the amount of \$1,958,400. Unfortunately, due to the outbreak of the COVID-19 pandemic that hit the City in and around February 2020, negotiations for the ground lease were suspended. The thirty (30) month period for the Building 9 Lease closing was extended six (6) months to December 26, 2021.

(i) Future Minimum Payments Due

Future minimum payments due to RIOCI under current leases all with the housing companies and leases for commercial space are as follows:

Years ending <u>March 31</u>	Housing <u>Companies</u>	Commercial <u>Leases</u>
2022	\$ 17,122,022	1,701,384
2023	17,814,952	1,729,844
2024	18,438,403	1,758,967
2025	18,846,102	1,788,767
2026	<u>19,543,522</u>	<u>1,831,761</u>
Total	\$ <u>91,765,001</u>	<u>8,810,723</u>

ROOSEVELT ISLAND OPERATING CORPORATION

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Notes to Financial Statements, Continued

(5) Management Agreements

The Roosevelt Island Tramway System is operated by Leitner-Poma of America, Inc., a subsidiary of Pomagalski S.A, the designer and builder of the modernized Tramway system, which went into operation on November 30, 2010. On March 1, 2017, RIOC negotiated a 5-year fixed fee operating agreement at an annual cost of \$4,100,000 with an annual increase of 3% per year.

RIOC also has a parking management agreement with SP for the management of Motorgate Garage. This agreement is cancelable by RIOC on 30-day notice and by SP on 180-day notice. RIOC pays an annual management fee of \$40,000 and the maintenance and operating costs in connection with the management of the garage.

(6) Income Taxes

RIOC is a public benefit corporation of the State of New York and as such is exempt from income tax under Section 115 of the Internal Revenue Code. Accordingly, no income taxes have been provided for in the financial statements.

(7) Retirement Plans

Retirement plans in which RIOC contributes are detailed as follows:

(a) Union Employees

Union employees participate in separate defined contribution plans, which are administered by each union. RIOC contributed \$249,511 and \$265,572 for the years ended March 31, 2021 and 2020, respectively, to union employees' defined contribution plans.

(b) Non-Union Employees

RIOC's non-union employees participate in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of ERS and for the custody and control of their funds. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Albany, New York 12244.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(b) Non-Union Employees, Continued

Funding Policy

ERS is contributory (3%) except for employees who joined the System before July 27, 1976.

Employees who joined ERS after July 27, 1976, but prior to January 1, 2011, and have been members of the System for at least ten years, or have at least ten years of credited service are not required to contribute 3% of their salaries. Employees hired after January 1, 2011 shall contribute 3% of salary for the duration of employment. For Tier 6 employees, beginning April 1, 2013, contributions are as follows: Up to \$45K = 3%; \$45,001 to \$55K = 3.5%; \$55,001 to \$75K = 4.5%; \$75,001 to \$100K = 5.75%; Greater than \$100K = 6% for the entire duration of State employment. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund.

ERS eligibility requirements are as follows:

Tier 1 (Member before July 1, 1973):

- a. For reduced pension benefits: Age 55 with 5 years of service.
- b. For full pension benefits: Age 55 with 20 years of service.

Tiers 2, 3, and 4 (Became a member after July 1, 1973):

- a. For reduced pension benefits: Age 55 with 5 years of service.
- b. For full pension benefits: age 62 with 20 years of service.

Tier 5 (Became a member on or after January 1, 2010):

- a. For reduced pension benefits: Age 55 with 10 years of service.
- b. For full pension benefits: Age 62 with 10 years of service.

Tier 6 (Became a member on or after April 1, 2012):

- a. For reduced pension benefits: Age 55 with 10 years of service.
- b. For full pension benefits: Age 63 with 10 years of service.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At March 31, 2021 and 2020, the Corporation reported the following liability for its proportionate share of the net pension liability for ERS which were measured as of March 31, 2020 and 2019, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Corporation's proportionate share of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the Corporation.

Measurement date	<u>3/31/2020</u>	<u>3/31/2019</u>
Net pension liability	\$4,021,372	1,085,061
Corporation's proportion of the Plan's net pension liability	0.0151861%	0.0153142%
Change in proportion from prior year	(0.0001281)	0.0023387

For the years ended March 31, 2021 and 2020, the Corporation recognized pension expense of \$1,350,628 and \$702,847, respectively, for ERS. At March 31, 2021 and 2020 the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 236,674	-	213,671	72,838
Changes of assumptions	80,971	69,917	272,740	-
Net difference between projected and actual investment earnings on pension plan investments	2,061,551	-	-	278,487
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	100,395	154,219	140,241	124,973
Corporation's contributions subsequent to the measurement date	<u>461,015</u>	<u>-</u>	<u>519,417</u>	<u>-</u>
Total	\$ <u>2,940,606</u>	<u>224,136</u>	<u>1,146,069</u>	<u>476,298</u>

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>ERS</u>
2022	\$ 376,028
2023	565,285
2024	731,351
2025	582,791

(d) Actuarial Assumptions

The total pension liability as of the March 31, 2020 measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	March 31, 2020
Actuarial valuation date	April 1, 2019
Investment rate of return, (net of investment expense, including inflation)	6.8%
Salary increases	4.2%
Inflation	2.5%
Cost-of-living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(d) Actuarial Assumptions, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

Asset type:	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	36.00%	4.05%
International equity	14.00%	6.15%
Private equity	10.00%	6.75%
Real estate	10.00%	4.95 %
Absolute return strategies (1)	2.00%	3.25%
Opportunistic portfolio	3.00%	4.65%
Real assets	3.00%	5.95%
Bonds and mortgages	17.00%	0.75%
Cash	1.00%	0.00%
Inflation - indexed bonds	4.00%	0.50%

* The real rate of return is net of the long-term inflation assumption of 2.5%

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

(e) Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(f) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current rate:

	1% Decrease (<u>5.8%</u>)	Current Assumption (<u>6.8%</u>)	1% Increase (<u>7.8%</u>)
Corporation's proportionate share of the net pension liability	\$ <u>7,380,353</u>	<u>4,021,372</u>	<u>927,736</u>

(g) Pension Plan Fiduciary Net Position

The components of the collective net pension liability of participating employers as of the respective measurement dates, were as follows:

	(Dollars in Millions)	
	<u>3/31/2020</u>	<u>3/31/19</u>
Valuation date	<u>3/31/2020</u>	<u>3/31/19</u>
Employers' total pension liability	\$(<u>194,597</u>)	(189,803)
Fiduciary net position	<u>168,116</u>	<u>182,718</u>
Employers' net pension liability	\$ (<u>26,481</u>)	<u>(7,085)</u>
Ratio of fiduciary net position to the Employers' total pension liability	86.4%	96.3%

(h) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of March 31, 2021 and 2020 represent the projected employer contribution for the period of April 1, 2020 through March 31, 2021 and April 1, 2019 through March 31, 2020, respectively based on paid ERS wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying financial statements.

(8) Risk Management

RIOC purchases commercial insurance policies to adequately protect against potential loss stemming from general liability, vehicle liability, property damage, and public officials and employee liability. Coverages for the forthcoming fiscal year ended March 31, 2021 were appropriately increased to provide adequate protection for RIOC as follows:

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(8) Risk Management, Continued

<u>Coverages</u>	<u>2020-2021 Coverage Amount</u>
General liability - RIOCI and Tram	\$125 million limit
Property	\$256 million limit
Boiler and machinery	\$100 million limit
Automobile	\$1 million limit
Public officials liability	\$5 million limit

(9) Commitments and Contingencies

Commitments and contingencies at March 31, 2021 and 2020 are detailed as follows:

(a) Revenue Allocation Agreement - between New York State Urban Development Corporation (UDC), now known as the Empire State Development (ESD) and Roosevelt Island Operating Corporation (RIOCI)

On August 3rd, 1988 ESD and RIOCI entered into an agreement in the sharing of all revenues derived by RIOCI in order for ESD to recover its investment in Roosevelt Island. The total amount invested in developing the Roosevelt Island infrastructure and funding of ESD's operating deficits prior to the assignment of operations to RIOCI amounted to \$170,356,976 along with a stated interest rate of 5.74 %. In addition, there are other State Operating Subsidies and State Capital Investments that were received and may have to be repaid under the terms of the Revenue Allocation Agreement. The agreement calls for revenues to be allocated in the following manner; (1) RIOCI Operating Expenditures, (2) Satisfaction of UDC's Accrued Operating Deficit, (3) Satisfaction of UDC's Public Facilities Debt, (4) Satisfaction of other State Operating Subsidies, and (5) Satisfaction of other State Capital Investments. To date, no revenues have been allocated for the satisfaction of ESD debt other than "Tax Equivalency Payments" ("TEP") for Roosevelt Island's original affordable "Mitchell-Lama" buildings. ESD has acknowledged that there are significant projected future capital investments to be made by RIOCI.

(b) Leases

RIOCI has agreements with four (4) housing companies, namely Westview, Eastwood, Island House, and Rivercross, operating on the Island to sublease commercial space occupied by the housing companies. Rent expense for the years ended March 31, 2021 and 2020 were approximately \$675,844 and \$319,288, respectively.

(c) Litigation

RIOCI is a defendant in various lawsuits. In the opinion of RIOCI's legal counsel, these suits should not result in judgments which in the aggregate would have a material adverse effect on RIOCI's financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions

The Corporation implemented GASB Statement No. 75 - “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” effective for its fiscal year beginning April 1, 2018.

Plan Description - The Corporation provides continuation of medical coverage to administrative, non-represented employees (those categorized as M/C) that retire at age 55 or older with five (5) years of service with the Corporation or a combination of service with a previous NYS public employer and a minimum of one (1) year service with RIOC. The employee must meet the requirements for retiring as a member of ERS, and the employee must be enrolled in NYSHIP. The Corporation contributes 90% for employees and 75% for an employee’s spouse.

The Corporation provides certain health care benefits for retired employees. Substantially all of the Corporation’s non-union employees may become eligible for these benefits if they reach the normal retirement age, of the respective tier of the New York State Employees’ Retirement System, while working for the Corporation. The Corporation, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees.

Total expenditures charged to operations for the years ended March 31, 2021 and 2020 amounted to \$257,476 and \$321,725, respectively. At March 31, 2021 and 2020, the liability for active and retired employees included in non-current accrued fringe benefits amounted to \$12,352,555 and \$10,915,605, respectively.

The number of participants as of March 31, 2021 was as follows:

Active employees	37
Retired employees	17
Spouses of retired employees	<u>8</u>
Total	<u>62</u>

Total OPEB Liability

The Corporation’s total OPEB liability of \$12,352,555 was measured as of December 31, 2020 and was determined by an actuarial valuation as of March 31, 2020. The methodology used to measure the total OPEB liability as of March 31, 2021 reflects current census, contracted benefit and rate information.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions, Continued

Actuarial Assumptions and Other Inputs

The total OPEB liability as of December 31, 2020 measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	3.11%
Discount rate	2.00%
Healthcare cost trend rates	4.00% for 2020, increasing to an ultimate rate of 4.08%

Changes in the Total OPEB Liability

	<u>2021</u>	<u>2020</u>
Total OPEB liability at beginning of year	\$ <u>10,915,605</u>	<u>11,255,264</u>
Changes for the year:		
Service cost	558,834	722,931
Interest on total OPEB liability	309,234	436,683
Differences between actual and expected experience	(711,980)	(3,663,694)
Changes in assumptions or other inputs	1,510,443	2,390,063
Benefit payments	<u>(229,581)</u>	<u>(225,642)</u>
Total changes	<u>1,436,950</u>	<u>(339,659)</u>
Total OPEB liability at end of year	\$ <u>12,352,555</u>	<u>10,915,605</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current discount rate:

	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	\$ <u>15,028,105</u>	<u>12,352,555</u>	<u>10,309,384</u>

This analysis represents sensitivity of the OPEB liability as of March 31, 2021.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions, Continued

Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates

The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a rate that is 1-percentage point lower (3% to 3.08%) or 1-percentage point higher (5% to 5.08%) than the current health care cost trend rate:

	1% Decrease (3.00% to 3.08%)	Trend Rate (4.00% to 4.08%)	1% Increase (5.00% to 5.08%)
Total OPEB liability	\$ <u>10,156,944</u>	<u>12,352,555</u>	<u>15,272,276</u>

This analysis represents sensitivity of the OPEB liability as of March 31, 2021.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At March 31, 2021 and 2020 the Corporation reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	2,945,545	-	3,531,905
Changes of assumptions or other inputs	2,445,713	309,319	1,846,867	530,261
Contributions subsequent to the measurement date	<u>56,765</u>	<u>-</u>	<u>51,798</u>	<u>-</u>
	\$ <u>2,502,478</u>	<u>3,254,864</u>	<u>1,898,665</u>	<u>4,062,166</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2022. Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending</u>	
2022	\$ (607,685)
2023	(299,905)
2024	78,964
2025	19,475

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(11) Pollution Remediation Obligations

In accordance with the GASB Statement No. 49 - "Accounting and Financial Reporting for Pollution Remediation Obligations," management has concluded that no obligating event has occurred that would require recognition of a future pollution remediation obligation in the accompanying financial statements.

(12) Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued.

(13) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on RIOC and its future results and financial position is not presently determinable.

(14) Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 87 - Leases. Effective for fiscal years beginning after June 15, 2021.

Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period. Effective for fiscal years beginning after December 15, 2020.

Statement No. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Required Supplementary Information
Schedule of Changes in Corporation's
Total OPEB Liability and Related Ratios
Year ended March 31, 2021

Total OPEB liability:	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 558,834	722,931	823,753
Interest on total OPEB liability	309,234	436,683	432,928
Differences between actual and expected experience	(711,980)	(3,663,694)	(1,284,925)
Changes in assumptions or other inputs	1,510,443	2,390,063	(972,145)
Benefit payments	<u>(229,581)</u>	<u>(225,642)</u>	<u>(207,025)</u>
Net change in total OPEB liability	1,436,950	(339,659)	(1,207,414)
Total OPEB liability - beginning	<u>10,915,605</u>	<u>11,255,264</u>	<u>12,462,678</u>
Total OPEB liability- ending	<u>\$12,352,555</u>	<u>10,915,605</u>	<u>11,255,264</u>
Covered payroll	\$ 3,741,185	4,398,752	4,398,752
Total OPEB liability as a percentage of covered payroll	330.2%	248.6%	255.9%

Notes to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

<u>2021</u>	<u>2020</u>	<u>2019</u>
2.00%	2.75%	3.71%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Corporation is presenting information for those years for which information is available.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Required Supplementary Information
Schedule of Corporation's Proportionate Share of the Net Pension Liability
Year ended March 31, 2021

	NYSERS Pension Plan					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportion of the net pension liability	0.0151861%	0.0153142%	0.0129755%	0.0121085%	0.0115185%	0.0115841%
Corporation's proportionate share of the net pension liability	\$ 4,021,372	1,085,061	418,777	1,137,738	1,848,752	391,340
Corporation's covered payroll	\$ 3,814,468	4,297,080	3,887,580	3,494,884	3,291,106	2,734,022
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	105.42%	25.25%	10.77%	32.55%	56.17%	14.31%
Plan fiduciary net position as a percentage of the total pension liability	86.4%	96.3%	98.2%	94.7%	90.7%	97.5%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Required Supplementary Information
Schedule of Corporation's Pension Contributions
Year ended March 31, 2021

	NYSERS Pension Plan								
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 461,015	519,417	489,985	459,071	465,927	480,350	516,769	540,970	583,380
Contributions in relation to the contractually required contribution	<u>461,015</u>	<u>519,417</u>	<u>489,985</u>	<u>459,071</u>	<u>465,927</u>	<u>480,350</u>	<u>516,769</u>	<u>540,970</u>	<u>583,380</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>							
Corporation's covered payroll	\$3,814,468	4,297,080	3,887,580	3,494,884	3,291,106	2,734,022	2,665,135	2,662,409	2,906,547
Contributions as a percentage of covered payroll	12.09%	12.09%	12.60%	13.14%	14.16%	17.57%	19.39%	20.32%	20.07%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Schedule of Operations by Department
Year ended March 31, 2021

	General Fund						Total General Fund	Public Purpose Fund	Capital Fund	Reserved Fund	Total
	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram					
Revenue:											
Residential fees	\$ 815,833	-	-	-	-	-	815,833	-	400,232	466,724	1,682,789
Ground rent	14,236,811	-	-	-	-	-	14,236,811	-	400,000	-	14,636,811
Commercial rent	1,661,743	-	-	-	-	-	1,661,743	-	-	-	1,661,743
Tramway revenue	-	-	-	-	-	1,642,755	1,642,755	-	-	-	1,642,755
Public safety reimbursement	-	2,205,103	-	-	-	-	2,205,103	-	-	-	2,205,103
Transportation and parking	-	-	130,439	2,164,570	-	-	2,295,009	-	-	-	2,295,009
Interest income	636,190	-	-	-	-	-	636,190	-	1,053	361,731	998,974
Unrealized loss	-	-	-	-	-	-	-	-	(2,833)	-	(2,833)
Other revenue	1,778,718	-	-	-	63,538	-	1,842,256	-	717,516	-	2,559,772
Total revenue	<u>19,129,295</u>	<u>2,205,103</u>	<u>130,439</u>	<u>2,164,570</u>	<u>63,538</u>	<u>1,642,755</u>	<u>25,335,700</u>	<u>-</u>	<u>1,515,968</u>	<u>828,455</u>	<u>27,680,123</u>
Expenses:											
Personal services:											
Salaries	4,817,107	3,191,183	1,010,667	-	597,934	-	9,616,891	-	-	-	9,616,891
Temporary employees	68,679	-	-	-	-	-	68,679	-	-	-	68,679
Employee benefits	2,833,927	1,415,798	389,948	-	337,490	-	4,977,163	-	-	-	4,977,163
Compensated absences	286,251	-	-	-	-	-	286,251	-	-	-	286,251
Total personal services	<u>8,005,964</u>	<u>4,606,981</u>	<u>1,400,615</u>	<u>-</u>	<u>935,424</u>	<u>-</u>	<u>14,948,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,948,984</u>
Other than personal services:											
Insurance	2,940,441	-	-	-	-	207,059	3,147,500	-	-	-	3,147,500
Professional services	1,384,006	-	-	-	49,095	-	1,433,101	-	-	-	1,433,101
Management fees	-	-	-	873,062	-	4,501,317	5,374,379	-	-	-	5,374,379
Legal services	167,473	-	-	-	-	-	167,473	-	-	-	167,473
Telecommunications	221,431	-	-	-	-	-	221,431	-	-	-	221,431
Island improvements/capital plan	675,844	-	-	-	-	-	675,844	-	-	-	675,844
Repairs and maintenance	709,708	15,398	12,904	2,955	1,417	2,225	744,607	-	-	-	744,607
Vehicles maintenance	43,461	30,901	112,973	-	218	-	187,553	-	-	-	187,553
Equipment purchases/lease	203,992	552	1,243	-	-	-	205,787	-	-	-	205,787
Supplies/services	552,080	78,030	41,329	46,747	160,676	174,179	1,053,041	-	-	-	1,053,041
Other expenses	106,369	8,725	2,370	-	7,744	-	125,208	-	-	-	125,208
Total other than personal services	<u>7,004,805</u>	<u>133,606</u>	<u>170,819</u>	<u>922,764</u>	<u>219,150</u>	<u>4,884,780</u>	<u>13,335,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,335,924</u>
Total operating expenses, excluding depreciation	<u>15,010,769</u>	<u>4,740,587</u>	<u>1,571,434</u>	<u>922,764</u>	<u>1,154,574</u>	<u>4,884,780</u>	<u>28,284,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,284,908</u>
Operating income (loss) before depreciation	4,118,526	(2,535,484)	(1,440,995)	1,241,806	(1,091,036)	(3,242,025)	(2,949,208)	-	1,515,968	828,455	(604,785)
Depreciation expense	-	-	-	-	-	-	-	-	(5,933,739)	-	(5,933,739)
Operating income (loss)	<u>\$ 4,118,526</u>	<u>(2,535,484)</u>	<u>(1,440,995)</u>	<u>1,241,806</u>	<u>(1,091,036)</u>	<u>(3,242,025)</u>	<u>(2,949,208)</u>	<u>-</u>	<u>(4,417,771)</u>	<u>828,455</u>	<u>(6,538,524)</u>

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Schedule of Operations by Department
Year ended March 31, 2020

	General Fund						Total General Fund	Public Purpose Fund	Capital Fund	Reserved Fund	Total
	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram					
Revenue:											
Residential fees	\$2,509,372	-	-	-	-	-	2,509,372	-	445,055	313,446	3,267,873
Ground rent	13,952,953	-	-	-	-	-	13,952,953	-	400,000	-	14,352,953
Commercial rent	1,635,567	-	-	-	-	-	1,635,567	-	-	-	1,635,567
Tramway revenue	-	-	-	-	-	4,526,290	4,526,290	-	-	-	4,526,290
Public safety reimbursement	-	2,089,069	-	-	-	-	2,089,069	-	-	-	2,089,069
Transportation and parking	-	-	127,881	2,408,225	-	-	2,536,106	-	-	-	2,536,106
Interest income	419,214	-	-	-	-	-	419,214	-	19,248	1,221,573	1,660,035
Unrealized loss	-	-	-	-	-	-	-	-	(17,041)	-	(17,041)
Other revenue	582,807	-	-	-	410,641	-	993,448	-	20,286	-	1,013,734
Total revenue	19,099,913	2,089,069	127,881	2,408,225	410,641	4,526,290	28,662,019	-	867,548	1,535,019	31,064,586
Expenses:											
Personal services:											
Salaries	4,575,002	2,879,420	799,108	-	817,917	-	9,071,447	-	-	-	9,071,447
Temporary employees	156,751	-	-	-	39,424	-	196,175	-	-	-	196,175
Employee benefits	2,276,986	1,140,378	337,325	-	288,094	-	4,042,783	-	-	-	4,042,783
Compensated absences	(23,545)	-	-	-	-	-	(23,545)	-	-	-	(23,545)
Total personal services	6,985,194	4,019,798	1,136,433	-	1,145,435	-	13,286,860	-	-	-	13,286,860
Other than personal services:											
Insurance	1,570,313	-	-	-	-	213,383	1,783,696	-	-	-	1,783,696
Professional services	980,160	180	-	-	117,053	8,770	1,106,163	-	-	-	1,106,163
Management fees	-	-	-	1,067,040	-	4,382,276	5,449,316	-	-	-	5,449,316
Legal services	41,250	-	-	-	-	-	41,250	-	-	-	41,250
Telecommunications	189,759	-	-	-	-	-	189,759	-	-	-	189,759
Island improvements/capital plan	322,288	-	-	-	-	-	322,288	-	-	-	322,288
Repairs and maintenance	933,843	12,039	23,545	15,032	690	2,444	987,593	-	-	-	987,593
Vehicles maintenance	33,708	21,582	122,363	-	735	-	178,388	-	-	-	178,388
Equipment purchases/lease	181,645	8,838	1,248	-	-	3,823	195,554	-	-	-	195,554
Supplies/services	506,936	115,925	57,816	55,247	215,148	203,900	1,154,972	-	-	-	1,154,972
Other expenses	190,498	15,415	634	-	88,902	-	295,449	337,985	-	72	633,506
Total other than personal services	4,950,400	173,979	205,606	1,137,319	422,528	4,814,596	11,704,428	337,985	-	72	12,042,485
Total operating expenses, excluding depreciation	11,935,594	4,193,777	1,342,039	1,137,319	1,567,963	4,814,596	24,991,288	337,985	-	72	25,329,345
Operating income (loss) before depreciation	7,164,319	(2,104,708)	(1,214,158)	1,270,906	(1,157,322)	(288,306)	3,670,731	(337,985)	867,548	1,534,947	5,735,241
Depreciation expense	-	-	-	-	-	-	-	-	(4,797,143)	-	(4,797,143)
Operating income (loss)	\$7,164,319	(2,104,708)	(1,214,158)	1,270,906	(1,157,322)	(288,306)	3,670,731	(337,985)	(3,929,595)	1,534,947	938,098

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Budget Variance Report
Year ended March 31, 2021

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Revenue:				
Residential fees	\$ 1,682,789	1,857,000	(174,211)	(9%)
Ground rent	14,636,811	15,106,000	(469,189)	(3%)
Commercial rent	1,661,743	1,655,000	6,743	1%
Tramway revenue	1,642,755	6,356,000	(4,713,245)	(74%)
Public safety reimbursement	2,205,103	2,152,000	53,103	2%
Transport/parking revenue	2,295,009	2,721,000	(425,991)	(16%)
Interest income	998,974	1,355,000	(356,026)	(26%)
Unrealized loss	(2,833)	-	(2,833)	(100%)
Other revenue	<u>2,559,772</u>	<u>4,373,000</u>	<u>(1,813,228)</u>	<u>(41%)</u>
Total revenue	<u>27,680,123</u>	<u>35,575,000</u>	<u>(7,894,877)</u>	<u>(22%)</u>
Expenses:				
Personal services (PS) :				
Salaries	9,325,711	9,948,527	622,816	6%
Salaries OT	291,180	196,560	(94,620)	(48%)
Temporary employees	68,679	162,000	93,321	58%
Workers compensation and disability	124,568	252,614	128,046	51%
ER payroll taxes	832,278	856,192	23,914	3%
Health insurance	2,024,434	2,460,555	436,121	18%
Dental/vision	61,840	110,677	48,837	44%
Pension	1,600,138	1,146,597	(453,541)	(40%)
Other employee benefits	333,905	1,045,406	711,501	68%
Compensated absences expenses	<u>286,251</u>	<u>-</u>	<u>(286,251)</u>	<u>(100%)</u>
Total personal services (PS)	<u>14,948,984</u>	<u>16,179,128</u>	<u>1,230,144</u>	<u>8%</u>
Other than personal services (OTPS) :				
Insurance	3,147,500	2,139,360	(1,008,140)	(47%)
Professional services	1,413,179	1,159,250	(253,929)	(22%)
Marketing/advertising	19,921	40,000	20,079	50%
Management fees	5,374,379	5,476,000	101,621	2%
Legal services	167,474	515,000	347,526	67%
Telecommunications	221,431	213,500	(7,931)	(4%)
Island improvements - capital plan	675,844	485,590	(190,254)	(39%)
Repairs and maintenance	401,666	1,965,300	1,563,634	80%
Repairs and maintenance equipment	24,913	44,500	19,587	44%
Other repairs and maintenance	318,028	343,000	24,972	7%

(Continued)

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Budget Variance Report, Continued

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Expenses, Continued:				
Other than personal services (OTPS), continued:				
Vehicles gas	\$ 79,666	126,200	46,534	37%
Vehicles repair and maintenance	42,377	133,000	90,623	68%
Vehicles parts	65,510	17,500	(48,010)	(274%)
Equipment lease	89,174	37,100	(52,074)	(140%)
Office equipment purchase	58,537	23,500	(35,037)	(149%)
Equipment purchases	16,469	43,000	26,531	62%
Other equipment purchases	41,607	30,000	(11,607)	(39%)
Exterminator	7,343	14,000	6,657	48%
Uniforms	69,625	84,500	14,875	18%
Light, power, heat	634,136	783,000	148,864	19%
Water and sewer	11,262	28,000	16,738	60%
Office supplies	18,015	33,000	14,985	45%
Parts and supplies	271,597	270,347	(1,250)	(1%)
Service maintenance agreement	41,063	151,480	110,417	73%
Employee travel and meal	12,917	13,500	583	4%
Employee training	40,875	125,000	84,125	67%
Shipping	7,998	18,310	10,312	56%
Subscriptions/membership	24,433	26,037	1,604	6%
Other expenses	31,344	294,250	262,906	89%
Island events - community relations	7,641	158,000	150,359	95%
Total other than personal services (OTPS)	<u>13,335,924</u>	<u>14,791,224</u>	<u>1,455,300</u>	10%
Total expenses	<u>28,284,908</u>	<u>30,970,352</u>	<u>2,685,444</u>	9%
Operating income (loss) before depreciation	(604,785)	4,604,648	(5,209,433)	(113%)
Depreciation expense	<u>(5,933,739)</u>	<u>(4,361,189)</u>	<u>(1,572,550)</u>	36%
Net surplus (deficit)	<u>\$ (6,538,524)</u>	<u>243,459</u>	<u>(6,781,983)</u>	(2,786%)

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Budget Variance Report
Year ended March 31, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percent</u>
<u>Favorable (Unfavorable)</u>				
Revenue:				
Residential fees	\$ 3,267,873	2,420,000	847,873	35%
Ground rent	14,352,953	14,554,000	(201,047)	(1%)
Commercial rent	1,635,567	1,629,000	6,567	1%
Tramway revenue	4,526,290	4,676,000	(149,710)	(3%)
Public safety reimbursement	2,089,069	2,071,000	18,069	1%
Transport/parking revenue	2,536,106	2,587,000	(50,894)	(2%)
Interest income	1,660,035	365,000	1,295,035	355%
Unrealized loss	(17,041)	-	(17,041)	(100%)
Other revenue	<u>1,013,734</u>	<u>2,398,000</u>	<u>(1,384,266)</u>	<u>(58%)</u>
Total revenue	<u>31,064,586</u>	<u>30,700,000</u>	<u>364,586</u>	<u>1%</u>
Expenses:				
Personal services (PS) :				
Salaries	8,753,757	9,645,144	891,387	9%
Salaries OT	317,690	230,560	(87,130)	(38%)
Temporary employees	196,175	165,000	(31,175)	(19%)
Workers compensation and disability	100,087	252,682	152,595	60%
ER payroll taxes	742,483	857,957	115,474	13%
Health insurance	1,768,787	2,305,852	537,065	23%
Dental/vision	65,602	109,677	44,075	40%
Pension	968,419	1,174,561	206,142	18%
Other employee benefits	397,405	981,774	584,369	60%
Compensated absences expenses	<u>(23,545)</u>	<u>-</u>	<u>23,545</u>	<u>100%</u>
Total personal services (PS)	<u>13,286,860</u>	<u>15,723,207</u>	<u>2,436,347</u>	<u>15%</u>
Other than personal services (OTPS) :				
Insurance	1,783,696	1,976,000	192,304	10%
Professional services	1,082,391	1,243,388	160,997	13%
Marketing/advertising	23,772	26,000	2,228	9%
Management fees	5,449,316	5,165,000	(284,316)	(6%)
Legal services	41,250	515,000	473,750	92%
Telecommunications	189,759	250,000	60,241	24%
Island improvements - capital plan	322,288	499,461	177,173	35%
Repairs and maintenance	630,099	1,875,500	1,245,401	66%
Repairs and maintenance equipment	36,377	55,600	19,223	35%
Other repairs and maintenance	321,117	260,000	(61,117)	(24%)

(Continued)

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Budget Variance Report, Continued

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Expenses, Continued:				
Other than personal services (OTPS), continued:				
Vehicles gas	\$ 123,141	130,000	6,859	5%
Vehicles repair and maintenance	47,703	108,500	60,797	56%
Vehicles parts	7,544	21,500	13,956	65%
Equipment lease	117,902	30,000	(87,902)	(293%)
Office equipment purchase	14,375	22,500	8,125	36%
Equipment purchases	42,985	41,500	(1,485)	(4%)
Other equipment purchases	20,292	46,000	25,708	56%
Exterminator	22,529	15,000	(7,529)	(50%)
Uniforms	98,862	83,300	(15,562)	(19%)
Light, power, heat	662,042	735,000	72,958	10%
Water and sewer	27,147	38,500	11,353	29%
Office supplies	30,445	32,000	1,555	5%
Parts and supplies	232,235	215,900	(16,335)	(8%)
Service maintenance agreement	81,712	138,580	56,868	41%
Employee travel and meal	6,154	13,150	6,996	53%
Employee training	33,810	116,100	82,290	71%
Shipping	12,210	18,950	6,740	36%
Subscriptions/membership	30,816	24,000	(6,816)	(28%)
Other expenses	455,660	254,050	(201,610)	(79%)
Island events - community relations	94,856	134,000	39,144	29%
Total other than personal services (OTPS)	<u>12,042,485</u>	<u>14,084,479</u>	<u>2,041,994</u>	14%
Total expenses	<u>25,329,345</u>	<u>29,807,686</u>	<u>4,478,341</u>	15%
Operating income before depreciation	5,735,241	892,314	4,842,927	543%
Depreciation expense	<u>(4,797,143)</u>	<u>(4,234,164)</u>	<u>(562,979)</u>	13%
Net surplus (deficit)	<u>\$ 938,098</u>	<u>(3,341,850)</u>	<u>4,279,948</u>	(128%)

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

The Board of Directors
Roosevelt Island Operating Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Roosevelt Island Operating Corporation (RIOCI), a component unit of the State of New York, as of and for the year ended March 31, 2021, and the related notes to financial statements, which collectively comprise RIOCI's basic financial statements, and have issued our report thereon dated June 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RIOCI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIOCI's internal control. Accordingly, we do not express an opinion on the effectiveness of RIOCI's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
June 22, 2021