

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

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

March 31, 2026 and 2025

DRAFT

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 Audit of the Financial Statements

Opinion

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, 2026 and 2025, and the related notes to financial statements, which collectively comprise RIOC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RIOC, as of March 31, 2026 and 2025, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RIOC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RIOC's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the additional information on pages 44 through 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS,

which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIOC’s basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes 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 GAAS. 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 , 2026 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.

Williamsville, New York
, 2026

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

Management's Discussion and Analysis

March 31, 2026 and 2025

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, 2026 and 2025, and the results of its operations for the years then ended. Management has prepared the financial statements and related note disclosures along with this MD&A in accordance with accounting principles generally accepted in the United States of America as (GAAP) defined by the Governmental Accounting Standards Board (GASB) 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 supplementary 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, New York. 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 Statements of Net Position at March 31, 2026 and 2025 and the percentage changes between March 31, 2026 and 2025:

	<u>2026</u>	<u>2025</u>	<u>% Change</u>
Current and other assets	\$ 40,963,913	43,572,032	-6%
Lease receivables, less current installments	471,026,275	477,501,375	-1%
Capital assets, net	<u>144,204,265</u>	<u>147,045,723</u>	-2%
Total assets	<u>656,194,453</u>	<u>668,119,130</u>	-2%
Deferred outflows of resources	<u>10,308,078</u>	<u>10,665,889</u>	-3%
Liabilities	<u>32,675,744</u>	<u>26,380,600</u>	24%
Deferred inflows of resources	<u>545,200,875</u>	<u>555,532,665</u>	-2%
Net position	<u>\$ 88,625,912</u>	<u>96,871,754</u>	-9%

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

Management's Discussion and Analysis, Continued

RIOC's Statement of Net Position at March 31, 2026 had total assets of \$656,194,453 and deferred outflow of resources of \$10,308,078 that exceeded total liabilities of \$32,675,744 and deferred inflows of resources of \$545,200,875 by \$88,625,912 (net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$144,204,265, lease receivables of \$477,501,375, noncurrent investments totaling \$1,037,447, cash and short-term investments totaling \$32,546,442 and other assets of \$904,924. Liabilities are comprised of accounts payable and accrued expenses of \$4,142,925, compensated absences of \$2,084,737, total OPEB liability of \$23,694,373 and net pension liability of \$2,753,709.

The decrease in the deferred outflows of resources in the amount of \$357,811 or 3% is due to RIOC's compliance with the provisions of 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(k) for additional information and 7 for the financial statement impact of compliance on the financial statements for the pension; and note 10 for OPEB.

The following is a summary of the RIOC's Statements of Net Position at March 31, 2025 and 2024 and the percentage changes between March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Current and other assets	\$ 43,572,032	20,494,521	113%
Lease receivables, less current installments	477,501,375	483,795,602	-1%
Capital assets, net	<u>147,045,723</u>	<u>151,329,156</u>	-3%
Total assets	<u>668,119,130</u>	<u>655,619,279</u>	2%
Deferred outflows of resources	<u>10,665,889</u>	<u>12,398,891</u>	-14%
Liabilities	<u>26,380,600</u>	<u>29,861,059</u>	-12%
Deferred inflows of resources	<u>555,532,665</u>	<u>535,791,540</u>	4%
Net position	<u>\$ 96,871,754</u>	<u>102,365,571</u>	-5%

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

RIOC's Statement of Net Position at March 31, 2025 had total assets of \$668,119,130 and deferred outflow of resources of \$10,665,889 that exceeded total liabilities of \$26,380,600 and deferred inflows of resources of \$555,532,665 by \$96,871,754 (net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$147,045,723, lease receivables of \$483,795,604, noncurrent investments totaling \$1,020,781, cash and short-term investments totaling \$34,762,348 and other assets of \$1,494,674. Liabilities are comprised of accounts payable and accrued expenses of \$1,246,203, compensated absences of \$1,778,682, total OPEB liability of \$21,724,299 and net pension liability of \$1,631,416.

The decrease in the deferred outflows of resources in the amount of \$1,733,002 or 14% is due to RIOC's compliance with the provisions of 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(k) for additional information and 7 for the financial statement impact of compliance on the financial statements for the pension; and note 10 for OPEB. The increase in deferred inflows of resources is due to receipt of \$24,818,119 in November of 2024 when Building 9 received their Temporary Certificate of Occupancy, triggering the Specific Rental Payment clause of the ground lease.

OPERATING ACTIVITIES

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

RIOC's total operating revenue for the year ended March 31, 2026 was \$42,517,576. For the year ended March 31, 2026, operating revenue decreased by \$679,167 or 2% over the prior year. This was due to a decrease in residential fees of \$2,826,736, commercial rent of \$328,289, tramway revenue of \$288,205, interest income of \$94,477 and other revenue of \$523,786. This was offset by an increase in ground rent revenue of \$2,980,032, public safety reimbursement of \$177,334 and transportation/parking revenue of \$224,960.

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

RIOC's total operating revenue for the year ended March 31, 2025 was \$43,196,743. For the year ended March 31, 2025, operating revenue increased by \$6,687,686 or 18% over the prior year. This was due to an increase in residential fees of \$3,964,549, ground rent of \$1,046,171, commercial rent of \$458,219, public safety reimbursement of \$90,405, transportation/parking revenue of \$142,864, interest income of \$112,619 and other revenue of \$1,658,540. This was offset by a decrease in tramway revenue of \$785,681.

RIOC's total expenses for the year ended March 31, 2026 were \$50,763,418 and \$48,690,560 for the year ended March 31, 2025, including depreciation of \$8,596,530 and \$8,415,409, respectively. For the year ended March 31, 2026, total operating expenses before depreciation increased by \$2,021,313 or 5% over the prior year. This was mainly due to an increase in personal services of \$1,643,085, insurance of \$382,346, management fees of \$444,953, repairs and maintenance of \$68,296, vehicle maintenance of \$117,456, equipment purchases/leases of \$24,179, supplies/services of \$124,844 and other expenses of \$346,847 which was offset by a decrease in professional and legal services of \$1,251,454 and in telecommunications of \$8,815.

RIOC's total expenses for the year ended March 31, 2025 were \$48,690,560 and \$45,699,338 for the year ended March 31, 2024, including depreciation of \$8,415,409 and \$8,376,452, respectively. For the year ended March 31, 2025, total operating expenses before depreciation increased by \$2,952,265 or 8% over the prior year. This was mainly due to an increase in personal services of \$1,132,848, insurance of \$650,310, professional and legal services of \$573,683, management fees of \$436,066, repairs and maintenance of \$44,720, vehicle maintenance of \$45,950 and supplies/services of \$209,589 which was offset by a decrease in telecommunications of \$7,369, equipment purchase/lease of \$18,871 and other expenses of \$114,658.

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 years ended March 31, 2026 and 2025:

	<u>2026</u>	<u>2025</u>	<u>% Change</u>
Operating revenue:			
Residential fees	\$ 4,326,455	7,153,191	-40%
Ground rent	13,450,299	10,470,267	28%
Commercial rent	1,471,416	1,799,705	-18%
Tramway revenue	5,199,471	5,487,676	-5%
Public safety reimbursement	2,709,958	2,532,624	7%
Transport/parking revenue	2,928,107	2,703,147	8%
Interest income	9,981,193	10,075,670	-1%
Other revenue	<u>2,450,677</u>	<u>2,974,463</u>	-18%
Total operating revenue	<u>42,517,576</u>	<u>43,196,743</u>	-2%
Operating expenses:			
Personal services	21,565,506	19,922,421	8%
Insurance	5,297,877	4,915,531	8%
Professional services and legal services	3,306,110	4,557,564	-27%
Management fees	7,279,820	6,834,867	7%
Telecommunications	242,229	251,044	-4%
Repairs and maintenance	1,387,202	1,318,906	5%
Vehicles maintenance	427,877	310,421	38%
Equipment purchases/lease	190,185	166,006	15%
Supplies/services	1,635,028	1,510,184	8%
Other expenses	<u>835,054</u>	<u>488,207</u>	71%
Total operating expenses, excluding depreciation	<u>42,166,888</u>	<u>40,275,151</u>	5%
Operating income before depreciation	350,688	2,921,592	88%
Depreciation expense	<u>(8,596,530)</u>	<u>(8,415,409)</u>	2%
Change in net position	(8,245,842)	(5,493,817)	-50%
Net position at beginning of year	<u>96,871,754</u>	<u>102,365,571</u>	-5%
Net position at end of year	<u>\$ 88,625,912</u>	<u>96,871,754</u>	-9%

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 years ended March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Operating revenue:			
Residential fees	\$ 7,153,191	3,188,642	124%
Ground rent	10,470,267	9,424,096	11%
Commercial rent	1,799,705	1,341,486	34%
Tramway revenue	5,487,676	6,273,357	-13%
Public safety reimbursement	2,532,624	2,442,219	4%
Transport/parking revenue	2,703,147	2,560,283	6%
Interest income	10,075,670	9,963,051	1%
Other revenue	<u>2,974,463</u>	<u>1,315,923</u>	126%
Total operating revenue	<u>43,196,743</u>	<u>36,509,057</u>	18%
Operating expenses:			
Personal services	19,922,421	18,789,573	6%
Insurance	4,915,531	4,265,221	15%
Professional services and legal services	4,557,564	3,983,881	14%
Management fees	6,834,867	6,398,801	7%
Telecommunications	251,044	258,413	-3%
Repairs and maintenance	1,318,906	1,274,186	4%
Vehicles maintenance	310,421	264,471	17%
Equipment purchases/lease	166,006	184,877	-10%
Supplies/services	1,510,184	1,300,598	16%
Other expenses	<u>488,207</u>	<u>602,865</u>	-19%
Total operating expenses, excluding depreciation	<u>40,275,151</u>	<u>37,322,886</u>	8%
Operating income (loss) before depreciation	2,921,592	(813,829)	459%
Depreciation expense	<u>(8,415,409)</u>	<u>(8,376,452)</u>	1%
Change in net position	(5,493,817)	(9,190,281)	40%
Net position at beginning of year	<u>102,365,571</u>	<u>111,555,852</u>	-8%
Net position at end of year	<u>\$ 96,871,754</u>	<u>102,365,571</u>	-5%

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

Management's Discussion and Analysis, Continued

CAPITAL ASSETS

The following summarizes RIOC's net capital assets as of March 31, 2026 and 2025 and the percentage change between years:

	<u>2026</u>	<u>2025</u>	<u>% Change</u>
Construction in progress	\$ 2,756,060	-	100%
Seawall	12,431,514	12,639,021	-2%
Buildings and building improvements	44,219,743	49,030,683	-10%
Landmarks	10,572,560	10,952,195	-3%
Vehicles and equipment	4,185,297	3,132,064	34%
Infrastructure	69,850,116	71,072,898	-2%
Leasehold improvements	<u>188,975</u>	<u>218,862</u>	-14%
Total capital assets, net	<u>\$ 144,204,265</u>	<u>147,045,723</u>	-2%

The capital assets of \$144,204,265 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The decrease of \$2,841,458 from the prior year is due to tightening of our capital expenditure budget, and annual depreciation of \$8,596,530. Total depreciation expense for all capital assets amounted to \$8,596,530 and \$8,415,409 for the years ended March 31, 2026 and 2025, respectively. A more detailed analysis of RIOC's capital assets is presented in note 3.

The following summarizes RIOC's net capital assets as of March 31, 2025 and 2024 and the percentage change between years:

	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Seawall	\$ 12,639,021	12,846,528	-2%
Buildings and building improvements	49,030,683	53,245,068	-8%
Landmarks	10,952,195	11,341,885	-3%
Vehicles and equipment	3,132,064	1,630,063	92%
Infrastructure	71,072,898	72,016,863	-1%
Leasehold improvements	<u>218,862</u>	<u>248,749</u>	-12%
Total capital assets, net	<u>\$ 147,045,723</u>	<u>151,329,156</u>	-3%

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

The capital assets of \$147,045,723 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The decrease of \$4,283,433 from the prior year was due to tightening of our capital expenditure budget, and annual depreciation of \$8,415,409. Total depreciation expense for all capital assets amounted to \$8,415,409 and \$8,376,452 for the years ended March 31, 2025 and 2024, respectively. A more detailed analysis of RIOC's capital assets is presented in note 3.

INFRASTRUCTURE ASSETS

The amounts reported in the accompanying statements of net position for capital assets (net of depreciation) of RIOC of \$144,204,265 and \$147,045,723 at March 31, 2026 and 2025, 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 - Basic Financial Statement and Management's Discussion and Analysis - For State and Local Governments, 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

As of November 21, 2024 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.

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.

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

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 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 and was executed as of November 10, 2022 and ground lease commenced in November 21, 2024.

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, 2026, 327 (33%) 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 approximate amount of \$1,816,137. RIOC received that payment on October 23, 2019.

Island House exited from ML on September 28, 2012, under a 30-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, 2026, 79 (20%) of the units have been converted to market rate.

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

Management's Discussion and Analysis, Continued

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, 2026 and 2025, 325 or 90% and 331 or 92% 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.

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 five years. The current contract that has been extended through March 31, 2027. The Tram continues to operate in a state-of-the-art condition and without interruption during the negotiation process. Additionally, any long-term repairs or overhauls that are needed will also be covered under the terms of this renewal. 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.

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

During the year that ended on March 31, 2026, total ridership on the Tram decreased to 3,003,305 from 3,018,603 and Tramway revenue decreased by \$288,205 or 5% over the year ended March 31, 2025. The decline in ridership was mainly due to disruptions from equipment and upgrades, and speed restrictions imposed by the New York State Department of Transportation (DOT) for safety measures, which resulted in slower operations and fewer trips each day. However, tram speeds returned to normal in February 2025, and regular service schedules have since resumed.

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.

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 unaudited financial statements as of December 31, 2025, HRR invested \$4,036,199 and reported net loss of \$313,247. According to the Agreement, RIOC will share future profits equally once HRR is paid back its investment. HRR made its first profit-sharing payment during the year ended December 31, 2022 in the amount of \$500,000. For the year ended December 31, 2024, a profit sharing payment of \$425,000 was due, and remains receivable. For the year ended December 31, 2025, no payment was due.

Roosevelt Island was selected by the City of New York (the 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.

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

Management's Discussion and Analysis, Continued

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 was completed in 2021. The Graduate Roosevelt Island Hotel opened in June 2021 and the Verizon Executive Education Center opened in September 2021. Phases II and III of the Cornell projects have not started and are not required to be proposed before 2027.

The Sportspark project, awarded in March 2021, was completed in May 2023 with a construction cost of around \$12 million. The project included a comprehensive overhaul of the HVAC system, repairs and improvements to other essential systems, enhancements to the men's and women's locker rooms and bathrooms, and the replacement of windows and doors. Additional upgrades involved renovating the gymnasium, updating the exterior façade, and implementing overall programmatic improvements. This project is part of RIOC's approved ten-year Capital Plan and was funded through RIOC's working capital. The facility is now open to public.

In March 2017, RIOC issued a 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 completed. The Youth Center opened in April 2021. The project's construction cost was \$2.17 million, which was funded through RIOC's working capital.

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

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 \$2 million, required piping, replaced outdated controls, piping and exhaust systems and installed new laser sensors that automated steps in the collection process. These upgrades have optimized the efficiency of the facility and 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 2021; 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 RIOC's 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, which will be provided through RIOC's working capital. This project was completed in Spring 2022.

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, 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 was required. Due to the analysis of the engineering and structural documents, the architectural firm's estimated construction cost exceeded the RIOC budgeted anticipated construction value. After further reconciliation of the budget, the project is currently on hold.

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, 680 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, 2026 and 2025

	<u>Assets</u>	<u>2026</u>	<u>2025</u>
Current assets:			
Cash and equivalents		\$ 3,207,667	4,456,751
Short-term investments		29,338,775	30,305,597
Receivables		486,385	952,238
Current installments of lease receivables		6,475,100	6,294,229
Prepaid expenses		<u>418,539</u>	<u>542,436</u>
Total current assets		<u>39,926,466</u>	<u>42,551,251</u>
Noncurrent assets:			
Noncurrent investments		1,037,447	1,020,781
Lease receivables, less current installments		471,026,275	477,501,375
Capital assets, net of accumulated depreciation		<u>144,204,265</u>	<u>147,045,723</u>
Total noncurrent assets		<u>616,267,987</u>	<u>625,567,879</u>
Total assets		<u>656,194,453</u>	<u>668,119,130</u>
Deferred outflows of resources:			
Pension		2,195,398	1,859,081
OPEB		<u>8,112,680</u>	<u>8,806,808</u>
Total deferred outflows of resources		<u>10,308,078</u>	<u>10,665,889</u>
<u>Liabilities</u>			
Current liabilities - accounts payable and accrued expenses		4,142,925	1,246,203
Compensated absences		2,084,737	1,778,682
Total OPEB liability		23,694,373	21,724,299
Net pension liability - proportionate share - ERS		<u>2,753,709</u>	<u>1,631,416</u>
Total liabilities		<u>32,675,744</u>	<u>26,380,600</u>
Commitments and contingencies (note 9)			
Deferred inflows of resources:			
Leases		538,159,237	547,536,499
Pension		254,545	1,120,056
OPEB		<u>6,787,093</u>	<u>6,876,110</u>
Total deferred inflows of resources		<u>545,200,875</u>	<u>555,532,665</u>
Net position:			
Net investment in capital assets		144,204,265	147,045,723
Unrestricted (deficit)		<u>(55,578,353)</u>	<u>(50,173,969)</u>
Total net position		<u>\$ 88,625,912</u>	<u>96,871,754</u>

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Revenue, Expenses and Changes in Net Position
Years ended March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Operating revenue:		
Residential fees	\$ 4,326,455	7,153,191
Ground rent	13,450,299	10,470,267
Commercial rent	1,471,416	1,799,705
Tramway revenue	5,199,471	5,487,676
Public safety reimbursement	2,709,958	2,532,624
Transport/parking revenue	2,928,107	2,703,147
Interest income	9,981,193	10,075,670
Other revenue	<u>2,450,677</u>	<u>2,974,463</u>
Total operating revenue	<u>42,517,576</u>	<u>43,196,743</u>
Operating expenses:		
Personal services	21,565,506	19,922,421
Insurance	5,297,877	4,915,531
Professional services and legal services	3,306,110	4,557,564
Management fees	7,279,820	6,834,867
Telecommunications	242,229	251,044
Repairs and maintenance	1,387,202	1,318,906
Vehicles maintenance	427,877	310,421
Equipment purchases/lease	190,185	166,006
Supplies/services	1,635,028	1,510,184
Other expenses	<u>835,054</u>	<u>488,207</u>
Total operating expenses, excluding depreciation	<u>42,166,888</u>	<u>40,275,151</u>
Operating income before depreciation	350,688	2,921,592
Depreciation expense	<u>(8,596,530)</u>	<u>(8,415,409)</u>
Change in net position	(8,245,842)	(5,493,817)
Net position at beginning of year	<u>96,871,754</u>	<u>102,365,571</u>
Net position at end of year	<u>\$ 88,625,912</u>	<u>96,871,754</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, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 39,900,396	64,929,989
Payments related to employees	(19,174,654)	(16,860,478)
Payments to vendors	<u>(17,169,910)</u>	<u>(21,265,740)</u>
Net cash provided by operating activities	<u>3,555,832</u>	<u>26,803,771</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(5,755,072)	(4,131,976)
Sale of short-term investments	966,822	1,468,470
Sale (purchase) of noncurrent investments	<u>(16,666)</u>	<u>(23,529,227)</u>
Net cash used in capital and related financing activities	<u>(4,804,916)</u>	<u>(26,192,733)</u>
Net change in cash	(1,249,084)	611,038
Cash and equivalents at beginning of year	<u>4,456,751</u>	<u>3,845,713</u>
Cash and equivalents at end of year	<u>\$ 3,207,667</u>	<u>4,456,751</u>
Cash flows from operating activities:		
Change in net position	(8,245,842)	(5,493,817)
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	8,596,530	8,415,409
Changes in:		
Receivables	465,853	(44,559)
Lease receivables	6,294,229	6,118,675
Prepaid expenses	123,897	(185,605)
Deferred outflows of resources	357,811	1,733,002
Accounts payable and accrued expenses	2,896,722	(876,311)
Compensated absences	306,055	839,236
Unearned revenue	-	(242,323)
Total OPEB liability	1,970,074	(2,081,648)
Net pension liability - proportionate share - ERS	1,122,293	(1,119,413)
Deferred inflows of resources	<u>(10,331,790)</u>	<u>19,741,125</u>
Net cash provided by operating activities	<u>\$ 3,555,832</u>	<u>26,803,771</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, 2026 and 2025

(1) Organization

In 1969, the City of New York (the City) 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.

Accounting principles generally accepted in the United States of America (GAAP) 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 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 years ended March 31, 2026 and 2025, 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 Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Cash - deposits	\$ 3,207,667	4,456,751
Short-term investments:		
Cash deposit	583,487	502,797
Insured cash sweep (ICS)	197,417	195,667
Money market accounts	186,534	184,978
Treasury bills	<u>28,371,337</u>	<u>29,422,155</u>
Total short-term investments	<u>29,338,775</u>	<u>30,305,597</u>
Total cash and short-term investments	<u>\$ 32,546,442</u>	<u>34,762,348</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 Cincinnati and collateral securities held in escrow by JP Morgan Chase Bank, NA and managed by the National Collateral Management Group with market values totaling \$6,600,000 as of March 31, 2026 and \$30,000,000 as of March 31, 2025.

Investments managed internally consist of insured cash sweep, "ICS", which is a Federal Deposit Insurance Corporation (FDIC) insured program administered by Amalgamated Bank, with purchased maturities of twelve months or less, Treasury bill 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

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 Equivalents, Continued

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. The carrying amount of these investments are \$1,037,447 and \$1,020,781 at March 31, 2026 and 2025, respectively.

(e) Fair Value Measurements

Accounting principles generally accepted in the United States of America established a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable directly, or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to overall fair value measurement.

RIOC holds financial instruments with quoted prices in active markets for identical assets (level 1) of \$30,376,222 and \$31,326,378 at March 31, 2026 and 2025, respectively.

(f) 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. Pursuant to the provisions of GASB Statement No. 34 - Basic Financial Statement and Management's Discussion and Analysis - For State and Local Governments, 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.

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) Capital Assets, Continued

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 years
Buildings	40 years
Building improvements	15 years
Infrastructure	50 years
Vehicles	10 years
Office equipment	5 years
Computer equipment	5 years
Leasehold improvements	15 years

(g) Compensated Absences

It is RIOC's policy to accrue for unused absences for all full time employees. Accrued compensatory time as of March 31, 2026 and 2025 was \$2,084,737 and \$1,778,682, respectively.

(h) 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 in the applicable reporting period.

(i) Public Purpose Grants

Included in "Other expenses" are expenses for public purpose grants of \$250,000 and \$165,000 for the years ended March 31, 2026 and 2025, respectively. The grants were awarded to various Island-based not-for-profits upon evaluation of their applications and Board approval.

(j) 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 as of the date of the financial statements and the reported amounts of revenue and expenses 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

(k) 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) until then. Pensions and OPEB have deferred outflows of resources. For the pension, 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 asset/liability of the 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's 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 differences between actual and expected experience and changes 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. Leases, pensions and OPEB have deferred inflows of resources. For leases, the Corporation has one item that qualifies for reporting in this category and represents the initial measurement of the leases and payments received in advance. For the pension, 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 asset/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.

(l) Accounting and Financial Reporting for Pensions

The Corporation previously 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 Employees' Retirement System. These Statements also require 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 measurement date.

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, 2026 are summarized as follows:

	Balance at April 1, <u>2025</u>	<u>Increase</u>	<u>Decrease</u>	Balance at March 31, <u>2026</u>
Historical cost:				
Construction in progress	\$ -	2,756,060	-	2,756,060
Seawall	15,148,040	-	-	15,148,040
Building and building improvements	112,288,711	483,943	-	112,772,654
Landmarks	21,854,828	-	-	21,854,828
Vehicles	6,075,773	591,957	(928,189)	5,739,541
Equipment	6,378,805	1,358,784	(64,256)	7,673,333
Infrastructure	96,269,735	628,584	-	96,898,319
Leasehold improvements	448,303	-	-	448,303
Total historical cost	<u>258,464,195</u>	<u>5,819,328</u>	<u>(992,445)</u>	<u>263,291,078</u>
Less accumulated depreciation:				
Seawall	(2,509,019)	(207,507)	-	(2,716,526)
Building and building improvements	(63,258,028)	(5,294,883)	-	(68,552,911)
Landmarks	(10,902,633)	(379,635)	-	(11,282,268)
Vehicles	(4,146,450)	(367,057)	928,189	(3,585,318)
Equipment	(5,176,064)	(466,195)	-	(5,642,259)
Infrastructure	(25,196,837)	(1,851,366)	-	(27,048,203)
Leasehold improvements	(229,441)	(29,887)	-	(259,328)
Total accumulated depreciation	<u>(111,418,472)</u>	<u>(8,596,530)</u>	<u>928,189</u>	<u>(119,086,813)</u>
Net capital assets	<u>\$ 147,045,723</u>	<u>(2,777,202)</u>	<u>(64,256)</u>	<u>144,204,265</u>

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

Notes to Financial Statements, Continued

(3) Capital Assets, Continued

Capital assets for the year ended March 31, 2025 are summarized as follows:

	Balance at April 1, <u>2024</u>	<u>Increase</u>	<u>Decrease</u>	Balance at March 31, <u>2025</u>
Historical cost:				
Seawall	\$ 15,148,040	-	-	15,148,040
Building and building improvements	111,159,254	1,129,457	-	112,288,711
Landmarks	21,854,828	-	-	21,854,828
Vehicles	4,654,588	1,421,185	-	6,075,773
Equipment	5,688,217	690,588	-	6,378,805
Infrastructure	95,378,989	890,746	-	96,269,735
Leasehold improvements	448,303	-	-	448,303
Total historical cost	<u>254,332,219</u>	<u>4,131,976</u>	-	<u>258,464,195</u>
Less accumulated depreciation:				
Seawall	(2,301,512)	(207,507)	-	(2,509,019)
Building and building improvements	(57,914,186)	(5,343,842)	-	(63,258,028)
Landmarks	(10,512,943)	(389,690)	-	(10,902,633)
Vehicles	(3,898,844)	(247,606)	-	(4,146,450)
Equipment	(4,813,898)	(362,166)	-	(5,176,064)
Infrastructure	(23,362,126)	(1,834,711)	-	(25,196,837)
Leasehold improvements	(199,554)	(29,887)	-	(229,441)
Total accumulated depreciation	<u>(103,003,063)</u>	<u>(8,415,409)</u>	-	<u>(111,418,472)</u>
Net capital assets	<u>\$ 151,329,156</u>	<u>(4,283,433)</u>	-	<u>147,045,723</u>

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

Notes to Financial Statements, Continued

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

Operating revenue in the accompanying statements of revenue, 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, 7, and 8 were collected in advance and recognized over the term of the lease and are included in deferred inflows of resources related to leases. Tax equivalent payments (TEP) are collected and recognized from Southtown buildings #5, 6, 7, 8 and 9 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.

(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 52% of annual revenue. 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, 8 and 9; 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, 2026 and 2025.

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 \$2,064,388 and \$2,040,649 for the years ended March 31, 2025 and 2024, respectively. For the years ended March 31, 2026 and 2025, the percentage rent earned was \$3,223,174 and \$2,064,388, respectively.

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

Notes to Financial Statements, Continued

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

(b) Ground Rent, Continued

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.

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 \$2,320,447 and \$2,189,340 for the years ended March 31, 2026 and 2025, 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, 8 and 9, as well as the Octagon were paid in advance. Ground rents earned for Building #1-9 totaled \$4,419,402 and \$4,404,224 for the years ended March 31, 2026 and 2025, respectively.

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

Notes to Financial Statements, Continued

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

(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 unaudited financial statements as of December 31, 2025, HRR invested \$4,036,199 and reported a loss of \$313,247.

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 annual gross receipts. 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 New York 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 half of one percent of gross sales. Tramway revenue was \$5,199,471 and \$5,487,676 for the years ended March 31, 2026 and 2025, respectively. Tramway costs were \$7,793,623 and \$7,329,547 for the years ended March 31, 2026 and 2025, 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 revenue, expenses and changes in 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 \$2,709,958 and \$2,532,624 for the years ended March 31, 2026 and 2025, respectively. PSD costs were \$5,982,924 and \$5,086,740, for the years ended March 31, 2026 and 2025, respectively.

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

Notes to Financial Statements, Continued

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

(f) Transportation/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.

RIOC's share of Motorgate revenue totaled \$2,561,973 and \$2,384,770 for the years ended March 31, 2026 and 2025, respectively. Parking costs were \$1,425,891 and \$1,355,034, for the years ended March 31, 2026 and 2025, respectively. Transportation revenue from the provision of bus services totaled \$151,777 and \$60,465 for the years ended March 31, 2026 and 2025, respectively. The cost of running the bus service totaled \$1,908,889 and \$1,670,257 for the same respective periods. Additionally, revenue from street parking meters for these periods totaled \$214,357 and \$257,912, respectively.

(g) Interest and Other Revenue

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 revenue 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 RIOC 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 \$1,958,000 maturing on August 15, 2022, 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, RIOC 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 and was completed as of November 10, 2023.

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

Notes to Financial Statements, Continued

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

(i) Future Minimum Payments Due

Future minimum payments due to RIOC under current leases and the related deferred inflows of resources were discounted to present value using an interest rate of 3%. The amortization of the lease receivables and related deferred inflows of resources is as follows:

Years ending <u>March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2027	\$ 6,475,100	9,698,321	16,173,421	9,530,925
2028	6,661,443	10,024,275	16,685,718	9,786,375
2029	6,853,426	9,981,239	16,834,665	9,871,646
2030	7,051,224	9,950,607	17,001,831	9,965,908
2031	7,255,014	9,918,056	17,173,070	10,062,639
2032 - 2036	38,956,397	51,383,008	90,339,405	52,486,091
2037 - 2041	43,169,858	53,429,817	96,599,675	55,336,432
2042 - 2046	49,555,814	55,354,209	104,910,023	59,750,479
2047 - 2051	57,269,525	57,347,158	114,616,683	64,911,635
2052 - 2056	59,562,258	56,224,692	115,786,950	64,748,318
2057 - 2061	68,373,106	58,063,431	126,436,537	70,242,042
2062 - 2066	79,116,743	60,166,068	139,282,811	76,963,994
2067 - 2070	47,201,467	33,766,997	80,968,464	44,502,753
	<u>\$ 477,501,375</u>	<u>475,307,878</u>	<u>952,809,253</u>	<u>538,159,237</u>

(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. That agreement was subsequently extended through March 31, 2027.

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.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(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 \$226,555 and \$229,590 for the years ended March 31, 2026 and 2025, 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. 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 System, 110 State Street, Albany, New York 12244.

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.

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

Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(b) Non-Union Employees, Continued

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.

(c) Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At March 31, 2026 and 2025, the Corporation reported the following liability for its proportionate share of the net pension liability for ERS which were measured as of March 31, 2025 and 2024, respectively. The total pension liability used to calculate the net pension 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>3/31/2025</u>	<u>3/31/2024</u>
Net pension liability	\$ 2,753,709	1,631,416
Corporation's proportion of the Plan's net pension liability	0.0160606%	0.0110799%
Change in proportion from prior year	0.0049807	(0.0017480)

For the years ended March 31, 2026 and 2025, the Corporation recognized pension expense of \$578,461 and \$562,867, respectively, for ERS. At March 31, 2026 and 2025, the Corporation reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(c) Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension, Continued

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 683,489	32,241	525,478	44,484
Changes of assumptions	115,485	-	616,802	-
Net difference between projected and actual investment earnings on pension plan investments	216,048	-	-	796,938
Changes in proportion and differences between the employer contributions and proportionate share of contributions	502,764	222,304	39,189	278,634
Corporation's contributions subsequent to the measurement date	<u>677,612</u>	<u>-</u>	<u>677,612</u>	<u>-</u>
Total	<u>\$ 2,195,398</u>	<u>254,545</u>	<u>1,859,081</u>	<u>1,120,056</u>

Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year ending	ERS
2027	\$ 532,422
2028	771,868
2029	(167,137)
2030	<u>126,089</u>
	<u>\$ 1,263,241</u>

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(d) Actuarial Assumptions

The total pension liability as of the March 31, 2025 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:

Valuation date	March 31, 2025
Actuarial valuation date	April 1, 2024
Investment rate of return, (net of investment expense, including inflation)	5.9%
Salary increases	4.3%
Inflation	2.9%
Cost-of-living adjustments	1.5%

To set the long-term expected rate of return on pension plan investments, consideration was given to a building-block method using best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) 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.

Demographic assumptions used in the April 1, 2024 actuarial valuation are based on the results of an actuarial experience study completed April 1, 2020. Demographic assumptions are primarily based on System experience over the period April 1, 2015 - March 31, 2020. Annuitant mortality rates are adjusted to incorporate mortality improvements under the Society of Actuaries' Scale MP-2021.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized as follows:

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

Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(d) Actuarial Assumptions, Continued

Measurement date	March 31, 2025	
	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
Asset type:		
Domestic equity	25%	3.54%
International equity	14%	6.57%
Private equity	15%	7.25%
Real estate	12%	4.95%
Opportunistic/ARS portfolio	3%	5.25%
Credit	4%	5.40%
Real assets	4%	5.55%
Fixed income	22%	2.00%
Cash	<u>1%</u>	0.25%
	<u>100%</u>	

* The real rate of return is net of the long-term inflation assumption of 2.90%

(e) Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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.

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

The following presents the Corporation's proportionate share of the net pension asset/liability calculated using the current-period discount rate assumption of 5.9%, as well as what the collective net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9%) or 1-percentage point higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Corporation's proportionate share of the net pension asset (liability)	\$ <u>7,969,581</u>	<u>2,753,709</u>	<u>(1,601,547)</u>

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(g) Pension Plan Fiduciary Net Position

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

	(Dollars in Millions)	
Valuation date	<u>3/31/2025</u>	<u>3/31/2024</u>
Employers' total pension liability	\$ (247,600)	(240,697)
Fiduciary net position	<u>230,455</u>	<u>225,973</u>
Employers' net pension liability	\$ <u>(17,145)</u>	<u>(14,724)</u>
Ratio of fiduciary net position to the Employers' total pension liability	98.1%	93.9%

(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, 2026 and 2025 represent the projected employer contribution for the period of April 1, 2025 through March 31, 2026 and April 1, 2024 through March 31, 2025, 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 year ended March 31, 2026 were to provide adequate protection for RIOC were as follows:

<u>Coverages</u>	<u>2025-2026 Coverage Amount</u>
General liability - RIOC and Tram	\$100 million limit
Property	\$250 million limit
Boiler and machinery	\$100 million limit
Automobile	\$2 million limit
Public officials liability	\$5 million limit
Cyber	\$1 million limit

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

Notes to Financial Statements, Continued

(9) Commitments and Contingencies

Commitments and contingencies at March 31, 2026 and 2025 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 (RIOC)

On August 3rd, 1988 ESD and RIOC entered into an agreement in the sharing of all revenues derived by RIOC 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 RIOC 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) RIOC 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 for Roosevelt Island's original affordable "Mitchell-Lama" buildings. ESD has acknowledged that there are significant projected future capital investments to be made by RIOC.

(b) Leases

RIOC 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, 2026 and 2025 was approximately \$725,497 and \$611,531, respectively.

(c) Litigation

RIOC is a defendant in various lawsuits. In the opinion of RIOC's legal counsel, RIOC estimated a liability of \$600,000 related to these various lawsuits.

(10) Postemployment Benefits Other Than Pensions

(a) Plan Description and Benefits Provided

The Corporation provides continuation of medical coverage to administrative, non-represented employees (those categorized as Management/Confidential ("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.

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

(a) Plan Description and Benefits Provided, Continued

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, 2026 and 2025 amounted to \$3,091,289 and \$3,026,205, respectively. At March 31, 2026 and 2025, the liability for active and retired employees amounted to \$23,694,373 and \$21,724,299, respectively. There are no assets accumulated in a trust that meet the criteria of GASB Statement No. 75, paragraph 4.

(b) Employees Covered by Benefit Terms

The number of participants as of March 31, 2026 was as follows:

Active employees	130
Retired employees	19
Spouses of retired employees	<u>9</u>
Total	<u>158</u>

(c) Total OPEB Liability

The Corporation's total OPEB liability of \$23,694,373 was measured as of December 31, 2025 and was determined by an actuarial valuation as of March 31, 2025. The methodology used to measure the total OPEB liability as of March 31, 2026 reflects current census, contracted benefit and rate information.

(d) Actuarial Assumptions and Other Inputs

The total OPEB liability as of December 31, 2025 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	3.30%
Discount rate	4.41%
Healthcare cost trend rates	6.10% for 2026, declining to an ultimate rate of 3.70%

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

(e) Changes in the Total OPEB Liability

	<u>2026</u>	<u>2025</u>
Total OPEB liability at beginning of year	\$ <u>21,724,299</u>	<u>23,805,947</u>
Changes for the year:		
Service cost	1,807,871	1,434,452
Interest on total OPEB liability	957,377	931,471
Differences between actual and expected experience	589,420	(2,455,854)
Changes in assumptions or other inputs	(866,290)	(1,458,762)
Benefit payments	<u>(518,304)</u>	<u>(532,955)</u>
Total changes	<u>1,970,074</u>	<u>(2,081,648)</u>
Total OPEB liability at end of year	\$ <u>23,694,373</u>	<u>21,724,299</u>

(f) 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 (3.41%) or 1-percentage-point higher (5.41%) than the current discount rate:

	1% Decrease (3.41%)	Discount Rate (4.41%)	1% Increase (5.41%)
Total OPEB liability	\$ <u>27,765,473</u>	<u>23,694,373</u>	<u>20,460,206</u>

This analysis represents sensitivity of the OPEB liability as of March 31, 2026.

(g) 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 (5.10% to 2.70%) or 1-percentage point higher (7.10% to 4.70%) than the current health care cost trend rate:

	1% Decrease (5.10% to 2.70%)	Trend Rate (6.10% to 3.70%)	1% Increase (7.10% to 4.70%)
Total OPEB liability	\$ <u>20,053,957</u>	<u>23,694,373</u>	<u>28,374,655</u>

This analysis represents sensitivity of the OPEB liability as of March 31, 2026.

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

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At March 31, 2026 and 2025, the Corporation reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 7,219,358	1,988,072	7,798,063	2,221,963
Changes of assumptions or other inputs	763,746	4,799,021	876,970	4,654,147
Contributions subsequent to the measurement date	129,576	-	131,775	-
	<u>\$ 8,112,680</u>	<u>6,787,093</u>	<u>8,806,808</u>	<u>6,876,110</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending March 31, 2027. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending		
2027		\$ 295,533
2028		295,533
2029		295,533
2030		295,533
2031		295,533
Thereafter		(281,654)
		<u>\$ 1,196,011</u>

(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.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(12) Subsequent Events Evaluation by Management

Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

(13) 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. 103 - Financial Reporting Model Improvements. Effective for fiscal years beginning after June 15, 2025.

Statement No. 104 - Disclosure of Certain Capital Assets. Effective for fiscal years beginning after June 15, 2025.

Statement No. 105 - Subsequent Events. Effective for fiscal years beginning after June 15, 2026.

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, 2026

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability:								
Service cost	\$ 1,807,871	1,434,452	1,398,112	639,029	592,927	558,834	722,931	823,753
Interest on total OPEB liability	957,377	931,471	871,334	266,278	252,874	309,234	436,683	432,928
Differences between actual and expected experience	589,420	(2,455,854)	342,579	10,582,326	898,212	(711,980)	(3,663,694)	(1,284,925)
Changes in assumptions or other inputs	(866,290)	(1,458,762)	1,077,615	(4,704,580)	352,657	1,510,443	2,390,063	(972,145)
Benefit payments	<u>(518,304)</u>	<u>(532,955)</u>	<u>(499,355)</u>	<u>(314,810)</u>	<u>(301,806)</u>	<u>(229,581)</u>	<u>(225,642)</u>	<u>(207,025)</u>
Net change in total OPEB liability	1,970,074	(2,081,648)	3,190,285	6,468,243	1,794,864	1,436,950	(339,659)	(1,207,414)
Total OPEB liability - beginning	<u>21,724,299</u>	<u>23,805,947</u>	<u>20,615,662</u>	<u>14,147,419</u>	<u>12,352,555</u>	<u>10,915,605</u>	<u>11,255,264</u>	<u>12,462,678</u>
Total OPEB liability - ending	<u>\$ 23,694,373</u>	<u>21,724,299</u>	<u>23,805,947</u>	<u>20,615,662</u>	<u>14,147,419</u>	<u>12,352,555</u>	<u>10,915,605</u>	<u>11,255,264</u>
Covered payroll	\$ 10,287,470	9,958,829	10,358,647	10,005,454	3,869,882	3,741,185	4,398,752	4,398,752
Total OPEB liability as a percentage of covered payroll	230.32%	218.14%	229.82%	206.04%	365.58%	330.18%	248.15%	255.87%

Notes to schedule:

There are no assets accumulated in a trust that meet the criteria of GASB Statement No. 75, paragraph 4.

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>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
4.41%	4.16%	3.77%	4.05%	1.84%	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 Asset/Liability
Year ended March 31, 2026

NYSERS Pension Plan

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Corporation's proportion of the net pension asset (liability)	0.0160606%	0.0110799%	0.0128279%	0.0119561%	0.0116641%	0.0151861%	0.0153142%	0.0129755%	0.0121085%	0.0115185%
Corporation's proportionate share of the net pension asset (liability)	\$ (2,753,709)	(1,631,416)	(2,750,829)	977,358	(11,614)	(4,021,372)	(1,085,061)	(418,777)	(1,137,738)	(1,848,752)
Corporation's covered payroll	\$ 5,450,452	5,250,505	3,722,811	3,967,303	3,628,079	3,814,468	4,297,080	3,887,580	3,494,884	3,291,106
Corporation's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	50.52%	31.07%	73.89%	24.64%	0.32%	105.42%	25.25%	10.77%	32.55%	56.17%
Plan fiduciary net position as a percentage of the total pension liability	93.1%	93.9%	90.7%	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%

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, 2026

	NYSERS Pension Plan									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 757,040	677,612	409,069	388,251	485,897	461,015	519,417	489,985	459,071	465,927
Contributions in relation to the contractually required contribution	<u>757,040</u>	<u>677,612</u>	<u>409,069</u>	<u>388,251</u>	<u>485,897</u>	<u>461,015</u>	<u>519,417</u>	<u>489,985</u>	<u>459,071</u>	<u>465,927</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Corporation's covered payroll	\$5,450,452	5,250,505	3,722,811	3,967,303	3,628,079	3,814,468	4,297,080	3,887,580	3,494,884	3,291,106
Contributions as a percentage of covered payroll	13.89%	12.91%	10.99%	9.79%	13.39%	12.09%	12.09%	12.60%	13.14%	14.16%

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, 2026

	General Fund						Total General Fund	Public Purpose Fund	Capital Fund	Reserved Fund	Total
	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram					
Revenue:											
Residential fees	\$ 3,395,552	-	-	-	-	-	3,395,552	-	749,566	181,337	4,326,455
Ground rent	13,066,648	-	-	-	-	-	13,066,648	-	-	383,651	13,450,299
Commercial rent	1,471,416	-	-	-	-	-	1,471,416	-	-	-	1,471,416
Tramway revenue	-	-	-	-	-	5,199,471	5,199,471	-	-	-	5,199,471
Public safety reimbursement	-	2,709,958	-	-	-	-	2,709,958	-	-	-	2,709,958
Transportation/parking revenue	-	-	151,777	2,776,330	-	-	2,928,107	-	-	-	2,928,107
Interest income	8,853,509	-	-	-	-	-	8,853,509	-	40,867	1,086,817	9,981,193
Other revenue	974,391	-	-	-	1,476,286	-	2,450,677	-	-	-	2,450,677
Total revenue	27,761,516	2,709,958	151,777	2,776,330	1,476,286	5,199,471	40,075,338	-	790,433	1,651,805	42,517,576
Expenses:											
Personal services:											
Salaries	6,050,151	3,925,490	1,154,438	-	802,048	-	11,932,127	-	-	-	11,932,127
Temporary employees	166,910	-	-	-	586,615	-	753,525	-	-	-	753,525
Employee benefits	6,071,966	1,658,118	379,047	-	464,667	-	8,573,798	-	-	-	8,573,798
Compensated absences	306,056	-	-	-	-	-	306,056	-	-	-	306,056
Total personal services	12,595,083	5,583,608	1,533,485	-	1,853,330	-	21,565,506	-	-	-	21,565,506
Other than personal services:											
Insurance	3,805,184	-	-	-	-	1,492,693	5,297,877	-	-	-	5,297,877
Professional services	1,627,351	83,968	-	-	175,726	17,070	1,904,115	-	-	-	1,904,115
Management fees	-	-	-	1,329,547	-	5,950,273	7,279,820	-	-	-	7,279,820
Legal services	1,401,995	-	-	-	-	-	1,401,995	-	-	-	1,401,995
Telecommunications	242,229	-	-	-	-	-	242,229	-	-	-	242,229
Island improvements/capital plan	725,497	-	-	-	-	-	725,497	-	-	-	725,497
Repairs and maintenance	570,227	5,378	8,000	-	35,737	42,363	661,705	-	-	-	661,705
Vehicles maintenance	131,815	59,173	235,291	-	1,598	-	427,877	-	-	-	427,877
Equipment purchases/lease	154,529	11,523	2,372	-	12,729	9,032	190,185	-	-	-	190,185
Supplies/services	653,236	163,910	122,165	96,344	317,181	282,192	1,635,028	-	-	-	1,635,028
Other expenses	452,880	75,364	7,576	-	9,685	-	545,505	250,046	975	38,528	835,054
Total other than personal services	9,764,943	399,316	375,404	1,425,891	552,656	7,793,623	20,311,833	250,046	975	38,528	20,601,382
Total operating expenses, excluding depreciation	22,360,026	5,982,924	1,908,889	1,425,891	2,405,986	7,793,623	41,877,339	250,046	975	38,528	42,166,888
Operating income (loss) before depreciation	5,401,490	(3,272,966)	(1,757,112)	1,350,439	(929,700)	(2,594,152)	(1,802,001)	(250,046)	789,458	1,613,277	350,688
Depreciation expense	-	-	-	-	-	-	-	-	(8,596,530)	-	(8,596,530)
Change in net position	\$ 5,401,490	(3,272,966)	(1,757,112)	1,350,439	(929,700)	(2,594,152)	(1,802,001)	(250,046)	(7,807,072)	1,613,277	(8,245,842)

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, 2025

	General Fund						Total General Fund	Public Purpose Fund	Capital Fund	Reserved Fund	Total
	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram					
Revenue:											
Residential fees	\$ 6,450,752	-	-	-	-	-	6,450,752	-	528,333	174,106	7,153,191
Ground rent	10,086,616	-	-	-	-	-	10,086,616	-	-	383,651	10,470,267
Commercial rent	1,799,705	-	-	-	-	-	1,799,705	-	-	-	1,799,705
Tramway revenue	-	-	-	-	-	5,487,676	5,487,676	-	-	-	5,487,676
Public safety reimbursement	-	2,532,624	-	-	-	-	2,532,624	-	-	-	2,532,624
Transportation/parking revenue	-	-	60,465	2,642,682	-	-	2,703,147	-	-	-	2,703,147
Interest income	9,582,051	-	-	-	-	-	9,582,051	-	38,799	454,820	10,075,670
Other revenue	1,658,519	-	-	-	1,306,651	-	2,965,170	-	9,293	-	2,974,463
Total revenue	29,577,643	2,532,624	60,465	2,642,682	1,306,651	5,487,676	41,607,741	-	576,425	1,012,577	43,196,743
Expenses:											
Personal services:											
Salaries	5,688,821	3,188,626	972,895	-	876,777	-	10,727,119	-	-	-	10,727,119
Temporary employees	148,565	-	-	-	276,050	-	424,615	-	-	-	424,615
Employee benefits	5,480,399	1,670,207	340,185	-	440,660	-	7,931,451	-	-	-	7,931,451
Compensated absences	839,236	-	-	-	-	-	839,236	-	-	-	839,236
Total personal services	12,157,021	4,858,833	1,313,080	-	1,593,487	-	19,922,421	-	-	-	19,922,421
Other than personal services:											
Insurance	3,547,990	-	-	-	-	1,367,541	4,915,531	-	-	-	4,915,531
Professional services	1,996,906	71,434	-	-	708,295	117,385	2,894,020	-	-	-	2,894,020
Management fees	-	-	-	1,274,295	-	5,560,572	6,834,867	-	-	-	6,834,867
Legal services	1,663,544	-	-	-	-	-	1,663,544	-	-	-	1,663,544
Telecommunications	251,044	-	-	-	-	-	251,044	-	-	-	251,044
Island improvements/capital plan	611,531	-	-	-	-	-	611,531	-	-	-	611,531
Repairs and maintenance	655,815	525	12,854	-	565	37,616	707,375	-	-	-	707,375
Vehicles maintenance	78,079	34,442	196,865	-	1,035	-	310,421	-	-	-	310,421
Equipment purchases/lease	142,564	6,281	7,684	-	445	9,032	166,006	-	-	-	166,006
Supplies/services	637,576	91,480	135,725	80,739	327,263	237,401	1,510,184	-	-	-	1,510,184
Other expenses	136,960	23,745	4,049	-	158,400	-	323,154	165,030	23	-	488,207
Total other than personal services	9,722,009	227,907	357,177	1,355,034	1,196,003	7,329,547	20,187,677	165,030	23	-	20,352,730
Total operating expenses, excluding depreciation	21,879,030	5,086,740	1,670,257	1,355,034	2,789,490	7,329,547	40,110,098	165,030	23	-	40,275,151
Operating income (loss) before depreciation	7,698,613	(2,554,116)	(1,609,792)	1,287,648	(1,482,839)	(1,841,871)	1,497,643	(165,030)	576,402	1,012,577	2,921,592
Depreciation expense	-	-	-	-	-	-	-	-	(8,415,409)	-	(8,415,409)
Change in net position	\$ 7,698,613	(2,554,116)	(1,609,792)	1,287,648	(1,482,839)	(1,841,871)	1,497,643	(165,030)	(7,839,007)	1,012,577	(5,493,817)

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Budget Variance Report
Year ended March 31, 2026

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Revenue:				
Residential fees	\$ 4,326,455	6,206,515	(1,880,060)	(30%)
Ground rent	13,450,299	6,114,035	7,336,264	120%
Commercial rent	1,471,416	1,905,566	(434,150)	(23%)
Tramway revenue	5,199,471	6,664,473	(1,465,002)	(22%)
Public safety reimbursement	2,709,958	2,662,955	47,003	2%
Transport/parking revenue	2,928,107	2,495,540	432,567	17%
Interest income	9,981,193	10,879,723	(898,530)	(8%)
Other revenue	2,450,677	2,372,938	77,739	3%
Total revenue	42,517,576	39,301,745	3,215,831	8%
Expenses:				
Personal services (PS):				
Salaries	11,378,702	12,447,677	1,068,975	9%
Salaries OT	553,425	426,150	(127,275)	(30%)
Temporary employees	753,525	355,300	(398,225)	(112%)
Workers compensation and disability	344,827	297,250	(47,577)	(16%)
ER payroll taxes	1,175,746	1,071,669	(104,077)	(10%)
Health insurance	3,003,755	2,709,591	(294,164)	(11%)
Dental/vision	84,231	71,719	(12,512)	(17%)
Pension	904,060	1,186,606	282,546	24%
Other employee benefits	3,061,179	672,345	(2,388,834)	(355%)
Compensated absences expenses	306,056	-	(306,056)	(100%)
Total personal services (PS)	21,565,506	19,238,307	(2,327,199)	(12%)
Other than personal services (OTPS):				
Insurance	5,297,877	5,465,252	167,375	3%
Professional services	1,832,503	1,971,430	138,927	7%
Marketing/advertising	71,612	92,250	20,638	22%
Management fees	7,279,820	6,964,574	(315,246)	(5%)
Legal services	1,401,995	1,085,000	(316,995)	(29%)
Telecommunications	242,229	233,500	(8,729)	(4%)
Island improvements - capital plan	725,497	607,085	(118,412)	(20%)
Repairs and maintenance	361,405	622,859	261,454	42%
Repairs and maintenance equipment	76,322	65,000	(11,322)	(17%)
Other repairs and maintenance	223,978	394,000	170,022	43%

(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	\$ 154,679	152,750	(1,929)	(1%)
Vehicles repair and maintenance	28,247	130,500	102,253	78%
Vehicles parts	244,951	51,000	(193,951)	(380%)
Equipment lease	41,024	51,568	10,544	20%
Office equipment purchase	5,154	44,000	38,846	88%
Equipment purchases	107,770	56,025	(51,745)	(92%)
Other equipment purchases	36,237	35,000	(1,237)	(4%)
Exterminator	8,840	7,350	(1,490)	(20%)
Uniforms	136,561	86,200	(50,361)	(58%)
Light, power, heat	1,052,195	624,000	(428,195)	(69%)
Water and sewer	16,047	41,800	25,753	62%
Office supplies	35,273	23,550	(11,723)	(50%)
Parts and supplies	304,406	273,625	(30,781)	(11%)
Service maintenance agreement	81,706	89,679	7,973	9%
Employee travel and meal	5,881	3,400	(2,481)	(73%)
Employee training	75,348	117,150	41,802	36%
Shipping	30,577	15,150	(15,427)	(102%)
Subscriptions/membership	90,255	68,100	(22,155)	(33%)
Other expenses	429,834	335,230	(94,604)	(28%)
Island events - community relations	203,159	173,499	(29,660)	(17%)
Total other than personal services (OTPS)	<u>20,601,382</u>	<u>19,880,526</u>	<u>(720,856)</u>	<u>(4%)</u>
Total expenses	<u>42,166,888</u>	<u>39,118,833</u>	<u>(3,048,055)</u>	<u>(8%)</u>
Operating income before depreciation	350,688	182,912	167,776	92%
Depreciation expense	<u>(8,596,530)</u>	<u>(8,766,410)</u>	<u>169,880</u>	<u>(2%)</u>
Net deficit	<u>\$ (8,245,842)</u>	<u>(8,583,498)</u>	<u>337,656</u>	<u>(4%)</u>

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Budget Variance Report
Year ended March 31, 2025

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Revenue:				
Residential fees	\$ 7,153,191	5,354,480	1,798,711	34%
Ground rent	10,470,267	7,503,028	2,967,239	40%
Commercial rent	1,799,705	1,773,354	26,351	1%
Tramway revenue	5,487,676	7,083,439	(1,595,763)	(23%)
Public safety reimbursement	2,532,624	2,499,639	32,985	1%
Transport/parking revenue	2,703,147	3,320,052	(616,905)	(19%)
Interest income	10,075,670	9,291,819	783,851	8%
Other revenue	2,974,463	2,329,464	644,999	28%
Total revenue	43,196,743	39,155,275	4,041,468	10%
Expenses:				
Personal services (PS):				
Salaries	10,382,259	11,456,450	1,074,191	9%
Salaries OT	344,860	455,550	110,690	24%
Temporary employees	424,615	30,000	(394,615)	(1315%)
Workers compensation and disability	243,603	159,000	(84,603)	(53%)
ER payroll taxes	960,137	985,513	25,376	3%
Health insurance	2,786,588	2,830,577	43,989	2%
Dental/vision	91,771	63,185	(28,586)	(45%)
Pension	792,844	1,342,751	549,907	41%
Other employee benefits	3,056,508	468,728	(2,587,780)	(552%)
Compensated absences expenses	839,236	-	(839,236)	(100%)
Total personal services (PS)	19,922,421	17,791,754	(2,130,667)	(12%)
Other than personal services (OTPS):				
Insurance	4,915,531	4,899,000	(16,531)	1%
Professional services	2,854,649	2,410,416	(444,233)	(18%)
Marketing/advertising	39,371	71,000	31,629	45%
Management fees	6,834,867	6,362,659	(472,208)	(7%)
Legal services	1,663,544	587,400	(1,076,144)	(183%)
Telecommunications	251,044	157,000	(94,044)	(60%)
Island improvements - capital plan	611,531	601,500	(10,031)	(2%)
Repairs and maintenance	364,478	522,250	157,772	30%
Repairs and maintenance equipment	76,318	55,250	(21,068)	(38%)
Other repairs and maintenance	266,579	361,000	94,421	26%

(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	\$ 119,597	77,825	(41,772)	(54%)
Vehicles repair and maintenance	126,473	123,500	(2,973)	(2%)
Vehicles parts	64,351	60,500	(3,851)	(6%)
Equipment lease	66,457	47,800	(18,657)	(39%)
Office equipment purchase	2,484	19,100	16,616	87%
Equipment purchases	79,983	52,000	(27,983)	(54%)
Other equipment purchases	17,082	80,000	62,918	79%
Exterminator	10,356	6,000	(4,356)	(73%)
Uniforms	94,150	75,500	(18,650)	(25%)
Light, power, heat	902,056	868,000	(34,056)	(4%)
Water and sewer	42,079	22,800	(19,279)	(85%)
Office supplies	26,966	27,900	934	3%
Parts and supplies	328,338	247,500	(80,838)	(33%)
Service maintenance agreement	106,239	106,500	261	1%
Employee travel and meal	10,403	2,900	(7,503)	(259%)
Employee training	23,351	107,100	83,749	78%
Shipping	13,918	16,050	2,132	13%
Subscriptions/membership	61,537	36,650	(24,887)	(68%)
Other expenses	218,270	203,900	(14,370)	(7%)
Island events - community relations	160,728	161,000	272	1%
Total other than personal services (OTPS)	<u>20,352,730</u>	<u>18,370,000</u>	<u>(1,982,730)</u>	<u>(11%)</u>
Total expenses	<u>40,275,151</u>	<u>36,161,754</u>	<u>(4,113,397)</u>	<u>(11%)</u>
Operating income before depreciation	2,921,592	2,993,521	(71,929)	(2%)
Depreciation expense	<u>(8,415,409)</u>	<u>(7,598,454)</u>	<u>(816,955)</u>	11%
Net deficit	<u>\$ (5,493,817)</u>	<u>(4,604,933)</u>	<u>(888,884)</u>	19%

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, 2026, and the related notes to financial statements, which collectively comprise RIOCI's basic financial statements, and have issued our report thereon dated _____, 2026.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.

Williamsville, New York
, 2026

REPORT TO THE BOARD

, 2026

The Board of Directors
Roosevelt Island Operating Corporation

Dear Board Members:

We have audited the financial statements of Roosevelt Island Operating Corporation (RIOC), a component unit of the State of New York, as of and for the year ended March 31, 2026 and have issued our report thereon dated _____, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Accounting Principles

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by RIOC are described in note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2026. We noted no transactions entered into by RIOC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

For the year ended March 31, 2026, we evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Significant Disclosures

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to RIOC's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as RIOC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * *

This information is intended solely for the use of the Board of Directors and management of RIOC and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

EFPR GROUP, CPAs, PLLC