

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

Basic Financial Statements,  
Supplementary Information and  
Independent Auditors' Report

March 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### 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 audit 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 the management's discussion and analysis and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2022 on our consideration of RIOC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIOC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering RIOC's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
June 28, 2022

ROOSEVELT ISLAND OPERATING CORPORATION  
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Management's Discussion and Analysis

March 31, 2022

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, 2022 and 2021, 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 generally accepted accounting principles as 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 supplemental information. RIOC was created by the New York State Legislature in 1984 as a public benefit corporation charged with maintaining, operating, and developing Roosevelt Island. RIOC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities of the Corporation. These statements are presented in a manner similar to a private business. While additional information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that RIOC is properly performing its contractual obligations.

**FINANCIAL ANALYSIS OF THE CORPORATION NET POSITION**

The following is a summary of the RIOC's Statements of Net Position at March 31, 2022 and 2021 and the percentage changes between March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Current and other assets	\$ 29,549,644	57,960,902	-49%
Capital assets, net	<u>154,172,575</u>	<u>133,012,286</u>	16%
Total assets	<u>183,722,219</u>	<u>190,973,188</u>	-4%
Deferred outflows of resources	<u>5,378,301</u>	<u>5,443,084</u>	-1%
Liabilities	<u>67,669,777</u>	<u>71,371,570</u>	-5%
Deferred inflows of resources	<u>5,543,300</u>	<u>3,479,000</u>	59%
Net position	\$ <u>115,887,443</u>	<u>121,565,702</u>	-5%

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Management's Discussion and Analysis, Continued

On RIOC's Statement of Net Position at March 31, 2022 total assets of \$183,772,219 and deferred outflow of resources of \$5,378,301 exceeded total liabilities of \$67,669,777 and deferred inflows of resources of \$5,543,300 by \$115,887,443 (net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$154,172,575, noncurrent investments totaling \$6,723,065, cash and short-term investments totaling \$3,369,562 and other assets of \$19,457,017. Liabilities are comprised of accounts payable and accrued expenses of \$2,346,781, compensated absences of \$1,161,688, unearned revenues of \$50,002,275 (prepaid rents), total OPEB liability of \$14,147,419, and other liabilities totaling \$11,614. Unearned revenues represent the prepaid ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms.

The decrease in the deferred outflows of resources in the amount of \$64,783 or 1% and the increase in the deferred inflows of resources in the amount of \$2,064,300 or (59%) are 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 No. 68), GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68" (GASB No. 71), and GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB No. 75). See notes 2(j) for additional information and 7(b-h) for the financial statement impact of compliance on the financial statements for pensions; and note 10 for OPEB.

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

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

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

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**Management's Discussion and Analysis, Continued**

ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms. The increase in the deferred outflows of resources in the amount of \$2,398,350 or 79% and the decrease in the deferred inflows of resources in the amount of \$(1,059,464) or (23%) are due to RIOC's compliance with the provisions of GASB No. 68, GASB No. 71 and GASB No. 75. See notes 2(j) for additional information and 7(b-h) for the financial statement impact of compliance on the financial statements for pensions; and note 10 for OPEB.

**OPERATING ACTIVITIES**

RIOC's Statements of 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, 2022 was \$30,894,546. For the year ended March 31, 2022, operating revenue increased by \$3,214,423 or 12% over the prior year. This was mainly due to an increase in residential fees of \$1,872,889, ground rent of \$1,423,598, commercial rent of \$42,476, tramway revenue of \$1,347,644, public safety reimbursement of \$94,595, and transport/parking revenue of \$310,315 offset by an decrease in interest income of 293,977 and other revenue of \$1,585,950.

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

RIOC's total expenses for the year ended March 31, 2022 were \$36,572,805 and \$34,218,647 for the year ended March 31, 2021, including depreciation of \$7,304,099 and \$5,933,739, respectively. For year ended March 31, 2022, total operating expenses before depreciation increased by \$983,798 or 3% over the prior year. This was mainly due to increase in insurance of \$393,476, professional and legal services of \$693,727, management fees of \$275,861, vehicles maintenance of \$107,451, supplies/services of \$154,464 and other expenses of \$392,960 offset by a decrease in personal services of \$508,298, repairs and maintenance \$475,388 and equipment purchases/lease of \$45,106.



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Management's Discussion and Analysis, Continued

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

The following summarizes RIOC's change in net position for the years ended March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Operating revenue:			
Residential fees	\$ 3,555,678	1,682,789	111%
Ground rent	16,060,409	14,636,811	10%
Commercial rent	1,704,219	1,661,743	3%
Tramway revenue	2,990,399	1,642,755	82%
Public safety reimbursement	2,299,698	2,205,103	4%
Transport/parking revenue	2,605,324	2,295,009	14%
Interest income	704,997	998,974	-29%
Unrealized loss	-	(2,833)	-100%
Other revenue	<u>973,822</u>	<u>2,559,772</u>	-62%
Total operating revenue	<u>30,894,546</u>	<u>27,680,123</u>	12%
Operating expenses:			
Personal services	14,440,686	14,948,984	-3%
Insurance	3,540,976	3,147,500	13%
Professional services and legal services	2,294,301	1,600,574	43%
Management fees	5,650,240	5,374,379	5%
Telecommunications	216,082	221,431	-2%
Repairs and maintenance	945,063	1,420,451	-33%
Vehicles maintenance	295,004	187,553	57%
Equipment purchases/lease	160,681	205,787	-22%
Supplies/services	1,207,506	1,053,041	15%
Other expenses	<u>518,167</u>	<u>125,208</u>	314%
Total operating expenses, excluding depreciation	<u>29,268,706</u>	<u>28,284,908</u>	3%
Operating income before depreciation	1,625,840	(604,785)	-369%
Depreciation expense	<u>(7,304,099)</u>	<u>(5,933,739)</u>	23%
Change in net position	(5,678,259)	(6,538,524)	-13%
Net position at beginning of year	<u>121,565,702</u>	<u>128,104,226</u>	-5%
Net position at end of year	\$ <u>115,887,443</u>	<u>121,565,702</u>	-5%

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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, 2021 and 2020:

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

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

**CAPITAL ASSETS**

The following summarizes RIOC's net capital assets as of March 31, 2022 and 2021 and the percentage change between years:

	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Seawall	\$ 13,228,063	13,273,435	0%
Buildings and building improvements	56,596,515	44,917,867	26%
Landmarks	10,380,233	9,015,953	15%
Vehicles and equipment	2,059,425	2,482,138	-17%
Infrastructure	71,599,816	62,984,483	14%
Leasehold improvements	<u>308,523</u>	<u>338,410</u>	-9%
Total capital assets, net	\$ <u>154,172,575</u>	<u>133,012,286</u>	16%

The capital assets of \$154,172,575 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The increase of \$21,160,289 from the prior year is comprised of the addition of new capital assets of \$28,464,388, which are part of RIOC's approved ten-year Capital Plan, offset by annual depreciation of \$7,304,099. Total depreciation expense for all capital assets amounted to \$7,304,099 and \$5,933,739 for the years ended March 31, 2022 and 2021, 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, 2021 and 2020 and the percentage change between years:

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

The capital assets of \$133,012,286 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The increase of \$20,085,694 from the prior year is comprised of the addition of new capital assets of \$26,022,266, which are part of RIOC's approved ten-year Capital Plan, offset by annual depreciation of \$5,933,739, and the disposition of old capital assets in the amount of \$19,999 with the corresponding accumulated depreciation on assets disposed of \$17,166. Total depreciation expense for all capital assets amounted to \$5,933,739 and \$4,797,143 for the years ended March 31, 2021 and 2020, respectively. A more detailed analysis of RIOC's capital assets is presented in note 3.

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**Management's Discussion and Analysis, Continued**

**INFRASTRUCTURE ASSETS**

The amounts reported in the accompanying statements of net position for capital assets (net of depreciation) of RIOC of \$154,172,575 and \$133,012,286 at March 31, 2022 and 2021, 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**

Eight (8) of the anticipated nine (9) buildings (collectively, the Buildings) of the Southtown Development Project have been completed. The Lease for Building 8 ("Ground Lease") was executed as of December 26, 2018 ("Commencement Date"). From the Commencement Date to the earlier of (i) the date upon which one or more Temporary Certificates of Occupancy is issued by the New York City Department of Buildings for at least ninety percent (90%) of the Units in Building 8, or (ii) the second (2<sup>nd</sup>) 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.

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 is currently in the process of being renegotiated.

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Management's Discussion and Analysis, Continued

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, 2022 and 2021, 339 or 34% and 390 or 39% of the units have been converted to market rate units, respectively. The ground lease for Roosevelt Landings expires in 2068. On October 17, 2019, RIOC's Board of Directors approved the sale of Roosevelt Landings. This property sale was very well received because of the new owner's commitment to maintain affordable housing units within the property. As part of that transaction, BSREP UA Roosevelt Landings, LLC, sold its interests and ground lease obligations in the property to Putnam Harlem JV LP, and Roosevelt Landings Owner, LLC as the beneficial owner to purchaser. The assignment of the lease and rights thereunder, per its terms, triggered a transaction payment due to RIOC in the amount of \$1,816,137. RIOC received that payment on October 23, 2019.

Island House exited from ML on September 28, 2012, under a thirty-year Affordability Plan. At that time, the ground lease for Island House was extended to 2068. This Plan provided a structure for the creation of a leasehold condominium and the conversion of the residential portion of the building to cooperative ownership. The conversion to cooperative ownership occurred on January 1, 2014, the first day of the year following the conversion in accordance with the terms of the lease. At least 65% of the units will either be sold as affordable CO-OPs or remain as affordable rentals; and as of March 31, 2022 and 2021, 165 or 41% and 71 or 18% of the units have been converted to market rate, respectively.

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

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, 2022 and 2021, 355 or 98% and 361 or 100% of the units are affordable, respectively. 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 contract has been extended through March 31, 2023. This contract ensures that the Tram continues to operate in a state-of-the-art condition. Additionally, any long-term repairs or overhauls that are needed will also be covered under the terms of this contract. The cost of the long-term repairs or overhauls are additional expenses that RIOC is responsible for and are approved in advance on an annual basis and included in RIOC's approved ten-year Capital Plan.

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

During the year that ended on March 31, 2022, total ridership on the Tram increased to 1,539,126 from 825,913 and Tramway revenues increased by \$1,347,644 or 82% over the year ended March 31, 2021. The increase in ridership is attributed to the gradual reduction of COVID-19 travel and safety restrictions. The Governor's Executive Order "New York State on PAUSE" on March 20, 2020, directed non-essential workers to work from home, and implemented social distancing practices. These mandates limit the number of riders on the Tram which resulted in a significant decrease in the capacity for ridership. Consequently, RIOC experienced a precipitous drop in revenue. RIOC anticipates that ridership will eventually return to pre-pandemic numbers as the population is vaccinated. The cost and revenue of the Tram were \$4,935,339 and \$2,990,399, respectively.

Additionally, RIOC, through a competitive bidding process, awarded a contract on December 5, 2017 to build a new Tramway elevator in Manhattan, located on East 63<sup>rd</sup> street and Second Avenue. Construction is steadily progressing and was due to be completed by winter 2021. However, RIOC experienced a delay in this completion date due to the COVID-19 pandemic and the impact on the supply chain and its vendors. The construction was completed in April 2022. The cost of this project was \$7 million. This project is part of RIOC's approved ten-year Capital Plan and its cost was funded from RIOC's working capital.

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

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, 2021, HRR invested \$3,560,845 and reported a loss of \$223,724. According to the Agreement, RIOC will share future profits equally once HRR is paid back its investment. HRR has yet to make any profit-sharing payment.

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

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.

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.

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

In March 2017, RIOC issued 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



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

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.

On March 13, 2018, RIOC issued a RFP seeking bids for architectural design services for a dedicated Bike Ramp for bicyclists traveling between the Roosevelt Island Bridge and street level on the Island. On July 23, 2018, RIOC entered into contract with the successful bidder to provide the design services and collaborate on the project from design through construction. The Bike Ramp will improve safety for both cyclists and motorists and increase ease of access for cyclists coming onto the Island. The estimated cost is \$4 million dollars. RIOC intends to fund the project in part by use of a grant in the amount of \$2,963,705 in federal transportation funds awarded to RIOC through the Transportation Alternative Program (TAP) - Congestion Mitigation and Air Quality (CMAQ) Improvement Program, with the remainder funded through RIOC's capital program. RIOC has also had discussions with select state and local officials concerning additional contributions of capital funds. The grant requires four separate reviews by NYS DOT. RIOC submitted for the first review and received approvals and the second and third submissions were made in FY 22. The project provides a vital link for cyclists between the Island and dedicated bike lanes in Queens and is expected to be used by Island residents, visitors and commuters. This project is expected to be completed by the Fall of 2022.

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

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

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

On February 7, 2018, RIOC issued an RFP seeking professional services from a qualified firm to redevelop and repair Octagon Field, one of Roosevelt Island's most popular outdoor fields. The first phase of improvements at Octagon Field, including the installation of a new synthetic turf, new LED lighting fixtures and path upgrades were completed in Fall 2019, at a cost of \$1.1 million, which was provided through RIOC's working capital. At the opening day ceremony, RIOC renamed the field to honor, John McManus, its' recently deceased Chief of Public Safety Department. During his tenure as the Chief of RIOC's Public Safety Department, Jack dedicated many hours to coaching youth soccer teams. When the field reopened, permit requests stabilized to equal pre-construction numbers. RIOC had planned a second phase of improvements, valued at \$5.9 million, to reconstruct and expand the public rest room, install a new shade structure, create new ADA accessible seating areas, install new ADA compliant paths and improve landscaped areas. Although these additional improvements were stalled due to COVID-19, RIOC was able to resume work on this project. The total estimated cost of the project was \$5.4 million, which was provided through RIOC's working capital. This project was completed in Fall 2021.

On January 9, 2019, RIOC issued an RFP seeking bids to renovate a section of the Motorgate structure. Motorgate is the central parking facility for Roosevelt Island residents. Renovation includes repair of spalled and delaminated concrete support beams inside the garage, repair of concrete deck and ceilings, including connecting joints, application of waterproofing system on parking deck, ramps, walkways, and curbs, removal and replacement of existing floor drains, and restriping of parking spaces, installation of electric charging stations, and installation of new directional signage. Bids were received on March 6, 2019 and the selection of the successful bidder was made in April 2019. The project started in June 2019 and was delayed by the COVID-19 pandemic. However, this project was completed in Fall of 2021 at a total cost of \$19.5 million, which will be provided through RIOC's working capital.

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

The first phase of improvements to modernize the AVAC were completed in March 2020. These upgrades, at a cost estimate of approximately \$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.

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

**Management's Discussion and Analysis, Continued**

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 is expected to be 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.

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, 2022 and 2021

	<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:			
Cash		\$ 1,419,615	3,513,428
Short-term investments		1,949,947	28,481,275
Receivables		18,823,160	18,318,000
Prepaid expenses		<u>633,857</u>	<u>482,256</u>
Total current assets		22,826,579	50,794,959
Noncurrent investments		6,723,065	7,165,943
Capital assets, net of accumulated depreciation		<u>154,172,575</u>	<u>133,012,286</u>
Total assets		<u>183,722,219</u>	<u>190,973,188</u>
Deferred outflows of resources:			
Pensions		2,823,784	2,940,606
OPEB		<u>2,554,517</u>	<u>2,502,478</u>
Total deferred outflows of resources		<u>5,378,301</u>	<u>5,443,084</u>
	<u>Liabilities</u>		
Current liabilities - accounts payable and accrued expenses		2,346,781	2,892,778
Compensated absences		1,161,688	1,033,023
Unearned revenue		50,002,275	51,071,842
Total OPEB liability		14,147,419	12,352,555
Net pension liability - proportionate share - ERS		<u>11,614</u>	<u>4,021,372</u>
Commitments and contingencies (note 9)			
Total liabilities		<u>67,669,777</u>	<u>71,371,570</u>
Deferred inflows of resources:			
Pensions		3,807,718	224,136
OPEB		<u>1,735,582</u>	<u>3,254,864</u>
Total deferred inflows of resources		<u>5,543,300</u>	<u>3,479,000</u>
Net position:			
Net investment in capital assets		154,172,575	133,012,286
Restricted for capital projects		-	792,023
Unrestricted		<u>(38,285,132)</u>	<u>(12,238,607)</u>
Total net position		<u>\$ 115,887,443</u>	<u>121,565,702</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenue:		
Residential fees	\$ 3,555,678	1,682,789
Ground rent	16,060,409	14,636,811
Commercial rent	1,704,219	1,661,743
Tramway revenue	2,990,399	1,642,755
Public safety reimbursement	2,299,698	2,205,103
Transport/parking revenue	2,605,324	2,295,009
Interest income	704,997	998,974
Unrealized loss	-	(2,833)
Other revenue	<u>973,822</u>	<u>2,559,772</u>
Total operating revenue	<u>30,894,546</u>	<u>27,680,123</u>
Operating expenses:		
Personal services	14,440,686	14,948,984
Insurance	3,540,976	3,147,500
Professional services and legal services	2,294,301	1,600,574
Management fees	5,650,240	5,374,379
Telecommunications	216,082	221,431
Repairs and maintenance	945,063	1,420,451
Vehicles maintenance	295,004	187,553
Equipment purchases/lease	160,681	205,787
Supplies/services	1,207,506	1,053,041
Other expenses	<u>518,167</u>	<u>125,208</u>
Total operating expenses, excluding depreciation	<u>29,268,706</u>	<u>28,284,908</u>
Operating income before depreciation	1,625,840	(604,785)
Depreciation expense	<u>(7,304,099)</u>	<u>(5,933,739)</u>
Change in net position	(5,678,259)	(6,538,524)
Net position at beginning of year	<u>121,565,702</u>	<u>128,104,226</u>
Net position at end of year	<u><u>\$ 115,887,443</u></u>	<u><u>121,565,702</u></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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 29,319,819	29,998,581
Payments related to employees	(14,596,842)	(13,782,788)
Payments to vendors	<u>(15,326,608)</u>	<u>(14,406,561)</u>
Net cash provided by (used in) operating activities	<u>(603,631)</u>	<u>1,809,232</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(28,464,388)	(26,022,266)
Sale of short-term investments	26,531,328	24,903,265
Sale (purchase) of noncurrent investments	<u>442,878</u>	<u>(81,364)</u>
Net cash used in capital and related financing activities	<u>(1,490,182)</u>	<u>(1,200,365)</u>
Net change in cash	(2,093,813)	608,867
Cash at beginning of year	<u>3,513,428</u>	<u>2,904,561</u>
Cash at end of year	<u>\$ 1,419,615</u>	<u>3,513,428</u>
Cash flows from operating activities:		
Change in net position	(5,678,259)	(6,538,524)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
Depreciation	7,304,099	5,933,739
Loss on disposition of asset	-	2,833
Changes in:		
Receivables	(505,160)	(13,501,405)
Prepaid expenses	(151,601)	(262,117)
Deferred outflows of resources	64,783	(2,398,350)
Accounts payable and accrued expenses	(545,997)	(844,022)
Compensated absences	128,665	286,251
Unearned revenue	(1,069,567)	15,817,030
Total OPEB liability	1,794,864	1,436,950
Net pension liability - proportionate share - ERS	(4,009,758)	2,936,311
Deferred inflows of resources	<u>2,064,300</u>	<u>(1,059,464)</u>
Net cash provided by (used in) operating activities	<u>\$ (603,631)</u>	<u>1,809,232</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, 2022 and 2021

(1) Organization

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(a) Basis of Presentation, Continued

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

(b) Budgetary Information

During the years ended March 31, 2022 and 2021, RIOC did not request appropriations from the State of New York. Accordingly, budgetary information was not included in the notes to financial statements. However, the Board did approve an operating budget, which is included as other supplementary information.

(c) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash - deposits	\$ <u>1,419,615</u>	<u>3,513,428</u>
Short-term investments:		
Certificates of deposit (CDARS)	243,926	243,592
Insured cash sweep (ICS)	1,388,995	22,864,727
Money market accounts	<u>317,026</u>	<u>5,372,956</u>
	<u>1,949,947</u>	<u>28,481,275</u>
Total cash and short-term investments	\$ <u>3,369,562</u>	<u>31,994,703</u>

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

The money market and cash accounts are secured by a letter of credit from Federal Home Loan Bank of Chicago and collateral securities held in escrow by JP Morgan Chase Bank, NA and managed by the National Collateral Management Group with market values totaling \$8,000,000 as of March 31, 2022 and \$20,000,000 as of March 31, 2021.

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



ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(d) Noncurrent Investments

This represents funds set aside to satisfy the obligation for postemployment benefits other than pensions under GASB Statement No. 75 and are invested in collateralized money market accounts and CDARS. The carrying amount of these investments are \$6,723,065 and \$7,165,943 at March 31, 2022 and 2021, respectively. The CDARS are fully insured by FDIC.

(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 \$8,673,012 and \$35,647,218 at March 31, 2022 and 2021, 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.

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

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

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(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, 2022 and 2021 were \$1,161,688 and \$1,033,023, 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 on an annual basis over a period of the remaining forty-seven years on the ground lease for the City of New York (the City) expiring in 2068 under the accrual basis of accounting. A breakdown of unearned revenue is detailed as follows:

<u>Buildings</u>	Balance at April 1, <u>2021</u>	<u>Additions</u>	<u>Amortization</u>	Balance at March 31, <u>2022</u>
Octagon	\$ 2,261,170	-	(47,354)	2,213,816
Southtown Bldg #1	1,520,142	-	(31,833)	1,488,309
Southtown Bldg #2	1,450,550	-	(30,379)	1,420,171
Southtown Bldg #3	3,099,950	-	(64,920)	3,035,030
Southtown Bldg #4	4,041,641	-	(84,642)	3,956,999
Southtown Bldg #5	5,161,133	-	(108,087)	5,053,046
Southtown Bldg #6	7,944,007	-	(166,367)	7,777,640
Southtown Bldg #7	9,053,042	-	(189,593)	8,863,449
Southtown Bldg #8	<u>16,540,207</u>	<u>-</u>	<u>(346,392)</u>	<u>16,193,815</u>
Total	\$ <u>51,071,842</u>	<u>-</u>	<u>(1,069,567)</u>	<u>50,002,275</u>

(i) Public Purpose Grants

Included in "Other expenses" are expenditures for public purpose grants of \$150,000 for the year ended March 31, 2021. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

ROOSEVELT ISLAND OPERATING CORPORATION  
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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 pensions, the Corporation has two items that qualify for reporting in this category. The first item represents changes in the Corporation's proportion of the collective net pension liability New York State and Local Employees' Retirement System (ERS) and includes differences between expected and actual experience with regard to economic and demographic factors and the net difference between projected and actual investment earnings on pension plan investments. The second item is the Corporation contributions to the pension system (ERS) subsequent to the measurement date. For OPEB, the Corporation has two items that qualify for reporting in this category; the first represents the change of assumptions or other inputs, and the second represents estimated net contributions subsequent to the measurement date.

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

(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 March 31, 2021 measurement date. See notes 7(b-h).

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(3) Capital Assets

Capital assets for the year ended March 31, 2022 are summarized as follows:

	Balance at April 1, <u>2021</u>	<u>Increase</u>	<u>Decrease</u>	Balance at March 31, <u>2022</u>
Capital assets:				
Seawall	\$ 14,953,859	160,866	-	15,114,725
Building and building improvements	88,048,085	16,023,893	-	104,071,978
Landmarks	18,479,632	1,692,615	-	20,172,247
Vehicles	4,607,054	-	-	4,607,054
Equipment	4,590,659	271,234	-	4,861,893
Infrastructure	81,057,636	10,315,780	-	91,373,416
Leasehold improvement	<u>448,303</u>	<u>-</u>	<u>-</u>	<u>448,303</u>
Total capital assets	<u>212,185,228</u>	<u>28,464,388</u>	<u>-</u>	<u>240,649,616</u>
Less accumulated depreciation:				
Seawall	(1,680,424)	(206,238)	-	(1,886,662)
Building and building improvements	(43,130,218)	(4,345,245)	-	(47,475,463)
Landmarks	(9,463,679)	(328,335)	-	(9,792,014)
Vehicles	(3,272,105)	(210,765)	-	(3,482,870)
Equipment	(3,443,470)	(483,182)	-	(3,926,652)
Infrastructure	(18,073,153)	(1,700,447)	-	(19,773,600)
Leasehold improvement	<u>(109,893)</u>	<u>(29,887)</u>	<u>-</u>	<u>(139,780)</u>
Total accumulated depreciation	<u>(79,172,942)</u>	<u>(7,304,099)</u>	<u>-</u>	<u>(86,477,041)</u>
Net capital assets	\$ <u>133,012,286</u>	<u>21,160,289</u>	<u>-</u>	<u>154,172,575</u>

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(3) Capital Assets, Continued

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

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

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

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

(a) Residential Fees

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

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

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

(b) Ground Rent

Ground rents are derived from ground subleases between RIOC and various developers of housing on Roosevelt Island. Most of the ground subleases expire in 2068, which coincides with the expiration of the master lease between RIOC and the City of New York, the owner of Roosevelt Island. Ground rents account for nearly 52% of annual revenues. The two main sources of ground rents are Manhattan Park and Roosevelt Landings (formerly Eastwood). The other streams of ground rents are from Southtown Buildings #1, 2, 3, 4, 5, 6, 7 and 8; Island House; Rivercross; and Octagon.

Manhattan Park - Under the terms of the ground sublease between RIOC and Roosevelt Island Associates dated August 4, 1986 and expiring in 2068, annual rent, which commenced on the Rent Commencement Date of January 1, 1991, consists of a base ground rent of \$100,000 and additional fixed ground rent of \$1,900,000, increasing \$100,000 annually through December 31, 2011. As of January 1, 2012 and continuing through December 31, 2026, annual ground rent consists of the base ground rent of \$100,000 and additional fixed ground rent of \$4,000,000. Beyond 2026 until expiration in 2068, the ground rent is based upon the appraised value of the property times an applicable percentage, which is the market rate of return. Ground rents earned under the terms of the ground sublease were \$4,100,000 for the years ended March 31, 2022 and 2021.

In addition to the ground rent mentioned above, RIOC received a percentage payment, which is based on a tiered percentage formula of Manhattan Park's gross income. As of January 1, 2012 and continuing through December 31, 2026, the percentage payment will increase by the excess of the applicable percentages of gross income over the sum of the prior year's fixed ground rent of \$4,100,000 and percentage rent of \$2,040,649. For the years ended March 31, 2022 and 2021, the percentage rent earned was \$2,040,649.

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

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

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

(b) Ground Rent, Continued

Putnam Harlem JV LP (formerly BSREP) - Pursuant to an Amended and Restated Lease between RIOC and North Town Roosevelt, LLC (North Town) dated September 21, 2006 (the "Eastwood Lease"), the base ground rent increased to \$1 million per year effective October 1, 2006, plus a percentage increase in accordance with annual rent rolls increases. Ground rents earned totaled \$1,894,520 and \$1,802,598 for the years ended March 31, 2022 and 2021, 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 5<sup>th</sup> anniversary for 30 years.

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

Ground rents for Southtown Buildings #1, 2, 3 and 4 and for a portion of Buildings #5, 6, 7 and 8, as well as the Octagon were paid in advance and are reflected under note 2 paragraph (g) Unearned revenue. Ground rents earned for Building #1-8 totaled \$4,242,259 and \$3,221,929 for the years ended March 31, 2022 and 2021, respectively.

(c) Commercial Rent

On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC (HRR) to redevelop, improve, market, lease and professionally operate the Commercial Retail Spaces controlled by RIOC. HRR will pay RIOC an annual guaranteed rent of \$900,000 - escalating by 2% annually for the first five years and 2.5% annually thereafter, plus participation in the profits of HRR. According to the agreement, RIOC will share future profits evenly once HRR is paid back its investment. According to its unaudited financial statements as of December 31, 2021, HRR invested \$3,650,845 and reported a loss of \$223,724.

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

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

(c) Commercial Rent, Continued

In addition, RIOC entered into a license with HCK Recreation, Inc. (HCK) on November 16, 1989 for the operation of a tennis facility, which was amended three times with the latest amendment requiring HCK to pay the greater of \$275,000 per annum or 10% of 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 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 revenues were \$2,990,399 and \$1,642,755 for the years ended March 31, 2022 and 2021, respectively. Tramway costs were \$4,935,339 and \$4,884,780 for the years ended March 31, 2022 and 2021, 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 \$2,299,698 and \$2,205,103 for the years ended March 31, 2022 and 2021, respectively. PSD costs were \$4,941,857 and \$4,740,587, for the years ended March 31, 2022 and 2021, respectively.

(f) Transportation and Parking Fees

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



ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

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

(f) Transportation and Parking Fees, Continued

RIOC's share of Motorgate revenues totaled \$2,074,878 and \$1,931,391 for the years ended March 31, 2022 and 2021, respectively. Parking costs were \$1,066,291 and \$922,764, for the years ended March 31, 2022 and 2021, respectively. Transportation revenues from the provision of bus services totaled \$133,048 and \$130,439 for the years ended March 31, 2022 and 2021, respectively. The cost of running the bus service totaled \$1,638,408 and \$1,571,434 for the same respective periods. Additionally, revenues from street parking meters for these periods totaled \$397,398 and \$233,179, respectively.

(g) Interest and Other Revenues

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

(h) De-designation Fee Income

The Development Agreement for Southtown buildings (Buildings) seven (7) through nine (9) between Hudson Related Joint Venture (Developer) and RIOCI included a contingent de-designation (cancellation of project or portion of) fee of \$1,958,400. The Development Agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of \$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, RIOCI is protected by a Letter of Credit in the amount of \$1,958,400. Unfortunately, due to the outbreak of the COVID-19 pandemic that hit the City in and around February 2020, negotiations for the ground lease were suspended. The thirty (30) month period for the Building 9 Lease closing was extended six (6) months to December 26, 2021 and a second extension is currently being negotiated.

(i) Future Minimum Payments Due

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

<u>Years ending March 31</u>	<u>Housing Companies</u>	<u>Commercial Leases</u>
2023	\$ 17,791,021	1,725,704
2024	18,509,600	1,754,772
2025	19,005,222	1,754,518
2026	19,783,369	1,827,457
2027	<u>20,812,599</u>	<u>1,896,106</u>
Total	\$ <u>95,901,811</u>	<u>8,958,557</u>

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(5) Management Agreements

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

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

(6) Income Taxes

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

(7) Retirement Plans

Retirement plans in which RIOC contributes are detailed as follows:

(a) Union Employees

Union employees participate in separate defined contribution plans, which are administered by each union. RIOC contributed \$274,298 and \$249,511 for the years ended March 31, 2022 and 2021, respectively, to union employees' defined contribution plans.

(b) Non-Union Employees

RIOC's non-union employees participate in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of ERS and for the custody and control of their funds. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(b) Non-Union Employees, Continued

Funding Policy

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

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

ERS eligibility requirements are as follows:

Tier 1 (Member before July 1, 1973):

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

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

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

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

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

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

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

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

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

At March 31, 2022 and 2021, the Corporation reported the following liability for its proportionate share of the net pension liability for ERS which were measured as of March 31, 2021 and 2020, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Corporation's proportionate share of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the Corporation.

Measurement date	<u>3/31/2021</u>	<u>3/31/2020</u>
Net pension liability	\$ 11,614	4,021,372
Corporation's proportion of the Plan's net pension liability	0.0116641%	0.0151861%
Change in proportion from prior year	(0.0035220)	(0.0001281)

For the years ended March 31, 2022 and 2021, the Corporation recognized pension expense of \$176,543 and \$1,350,628, respectively, for ERS. At March 31, 2022 and 2021 the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2022</u>		<u>2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 141,843	-	236,674	-
Changes of assumptions	2,135,495	40,276	80,971	69,917
Net difference between projected and actual investment earnings on pension plan investments		- 3,336,342	2,061,551	-
Changes in proportion and differences between the employer contributions and proportionate share of contributions	60,549	431,100	100,395	154,219
Corporation's contributions subsequent to the measurement date	<u>485,897</u>	<u>-</u>	<u>461,015</u>	<u>-</u>
Total	\$ <u>2,823,784</u>	<u>3,807,718</u>	<u>2,940,606</u>	<u>224,136</u>

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

(7) Retirement Plans, Continued

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

Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>ERS</u>
2023	\$ (294,822)
2024	(167,004)
2025	(282,118)
2026	<u>(725,887)</u>
	<u>\$ (1,469,831)</u>

(d) Actuarial Assumptions

The total pension liability as of the March 31, 2021 measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	March 31, 2021
Actuarial valuation date	April 1, 2020
Investment rate of return, (net of investment expense, including inflation)	5.9%
Salary increases	4.4%
Inflation	2.7%
Cost-of-living adjustments	1.4%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2019 used the Society of Actuaries' Scale MP-2018, inflation of 2.5%, cost-of-living adjustments of 1.3%, salary increases of 4.2% and investment rate of return of 6.8%.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

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

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

Measurement date	March 31, 2021	
	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
Asset type:		
Domestic equity	32.00%	4.05%
International equity	15.00%	6.30%
Private equity	10.00%	6.75%
Real estate	9.00%	4.95%
Opportunistic/ARS portfolio	3.00%	4.50%
Credit	4.00%	3.63%
Real assets	3.00%	5.95%
Fixed income	23.00%	0.00%
Cash	<u>1.00%</u>	0.50%
	<u>100.00%</u>	

\* The real rate of return is net of the long-term inflation assumption of 2.00%

(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.

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

(7) Retirement Plans, Continued

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

The following presents the current-period net pension liability of participating employers calculated using the current-period discount rate assumption of 5.9%, as well as what the collective net pension liability (asset) 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 (in thousands):

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Corporation's proportionate share of the net pension liability	\$ 3,223,711	<u>11,614</u>	<u>(2,950,690)</u>

(g) Pension Plan Fiduciary Net Position

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

	(Dollars in Millions)	
Valuation date	<u>3/31/2021</u>	<u>3/31/20</u>
Employers' total pension liability	\$(220,680)	(194,596)
Fiduciary net position	<u>220,580</u>	<u>168,116</u>
Employers' net pension liability	\$ <u>(100)</u>	<u>(26,480)</u>
Ratio of fiduciary net position to the Employers' total pension liability	99.9%	86.4%

(h) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Retirement contributions as of March 31, 2022 and 2021 represent the projected employer contribution for the period of April 1, 2021 through March 31, 2022 and April 1, 2020 through March 31, 2021, respectively based on paid ERS wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying financial statements.

(8) Risk Management

RIOC purchases commercial insurance policies to adequately protect against potential loss stemming from general liability, vehicle liability, property damage, and public officials and employee liability. Coverages for the forthcoming fiscal year ended March 31, 2022 were appropriately increased to provide adequate protection for RIOC as follows:

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

(8) Risk Management, Continued

<u>Coverages</u>	<u>2021-2022 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

(9) Commitments and Contingencies

Commitments and contingencies at March 31, 2022 and 2021 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 3<sup>rd</sup>, 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, 2022 and 2021 was approximately \$564,588 and \$675,844, respectively.

(c) Litigation

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



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

Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions

Plan Description - 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 RIO. The employee must meet the requirements for retiring as a member of ERS, and the employee must be enrolled in NYSHIP. The Corporation contributes 90% for employees and 75% for an employee’s spouse.

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

Total expenditures charged to operations for the years ended March 31, 2022 and 2021 amounted to \$460,981 and \$257,476, respectively. At March 31, 2022 and 2021, the liability for active and retired employees amounted to \$14,147,419 and \$12,352,555, respectively. There are no assets accumulated in a trust that meet the criteria of GASB Statement No. 75, paragraph 4.

The number of participants as of March 31, 2022 was as follows:

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

Total OPEB Liability

The Corporation’s total OPEB liability of \$14,147,419 was measured as of December 31, 2021 and was determined by an actuarial valuation as of March 31, 2021. The methodology used to measure the total OPEB liability as of March 31, 2022 reflects current census, contracted benefit and rate information.

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

Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions, Continued

Actuarial Assumptions and Other Inputs

The total OPEB liability as of December 31, 2021 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	3.44%
Discount rate	1.84%
Healthcare cost trend rates	6.10% for 2022

Changes in the Total OPEB Liability

	<u>2022</u>	<u>2021</u>
Total OPEB liability at beginning of year	\$ <u>12,352,555</u>	<u>10,915,605</u>
Changes for the year:		
Service cost	592,927	558,834
Interest on total OPEB liability	252,874	309,234
Differences between actual and expected experience	898,212	(711,980)
Changes in assumptions or other inputs	352,657	1,510,443
Benefit payments	<u>(301,806)</u>	<u>(229,581)</u>
Total changes	<u>1,794,864</u>	<u>1,436,950</u>
Total OPEB liability at end of year	\$ <u>14,147,419</u>	<u>12,352,555</u>

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

The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current discount rate:

	1% Decrease (0.84%)	Discount Rate (1.84%)	1% Increase (2.84%)
Total OPEB liability	\$ <u>17,251,513</u>	<u>14,147,419</u>	<u>11,773,231</u>

This analysis represents sensitivity of the OPEB liability as of March 31, 2022.

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

Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions, Continued

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

The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a rate that is 1-percentage point lower (5.10% to 3.37%) or 1-percentage point higher (7.10% to 5.37%) than the current health care cost trend rate:

	1% Decrease (5.10% to 3.37%)	Trend Rate (6.10% to 4.37%)	1% Increase (7.10% to 5.37%)
Total OPEB liability	\$ <u>11,472,262</u>	<u>14,147,419</u>	<u>17,728,203</u>

This analysis represents sensitivity of the OPEB liability as of March 31, 2022.

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

At March 31, 2022 and 2021 the Corporation reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>2022</u>		<u>2021</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 679,136	1,647,205	-	2,945,545
Changes of assumptions or other inputs	1,800,759	88,377	2,445,713	309,319
Contributions subsequent to the measurement date	<u>74,622</u>	<u>-</u>	<u>56,765</u>	<u>-</u>
	\$ <u>2,554,517</u>	<u>1,735,582</u>	<u>2,502,478</u>	<u>3,254,864</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2023. Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending

2023	\$ 5,185
2024	384,054
2025	324,565
2026	<u>30,509</u>
	\$ <u>744,313</u>

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

Notes to Financial Statements, Continued

(11) Pollution Remediation Obligations

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

(12) Subsequent Events Evaluation by Management

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

(13) Risks and Uncertainties

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

(14) Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required.

The effects of the implementation of these pronouncements are not known at this time.

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

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

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

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

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

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

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

Statement No. 99 - Omnibus 2022. Effective for various periods through fiscal years beginning after June 30, 2023.

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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability:				
Service cost	\$ 592,927	558,834	722,931	823,753
Interest on total OPEB liability	252,874	309,234	436,683	432,928
Differences between actual and expected experience	898,212	(711,980)	(3,663,694)	(1,284,925)
Changes in assumptions or other inputs	352,657	1,510,443	2,390,063	(972,145)
Benefit payments	<u>(301,806)</u>	<u>(229,581)</u>	<u>(225,642)</u>	<u>(207,025)</u>
Net change in total OPEB liability	1,794,864	1,436,950	(339,659)	(1,207,414)
Total OPEB liability - beginning	<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>\$ 14,147,419</u>	<u>12,352,555</u>	<u>10,915,605</u>	<u>11,255,264</u>
Covered payroll	\$ 3,869,882	3,741,185	4,398,752	4,398,752
Total OPEB liability as a percentage of covered payroll	365.6%	330.2%	248.6%	255.9%

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

<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
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 Liability  
Year ended March 31, 2022

	NYSERS Pension Plan						
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportion of the net pension liability	0.0116641%	0.0151861%	0.0153142%	0.0129755%	0.0121085%	0.0115185%	0.0115841%
Corporation's proportionate share of the net pension liability	\$ 11,614	4,021,372	1,085,061	418,777	1,137,738	1,848,752	391,340
Corporation's covered payroll	\$ 3,628,079	3,814,468	4,297,080	3,887,580	3,494,884	3,291,106	2,734,022
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	0.32%	105.42%	25.25%	10.77%	32.55%	56.17%	14.31%
Plan fiduciary net position as a percentage of the total pension liability	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.5%

\* 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 Pension Contributions  
Year ended March 31, 2022

	NYSERS Pension Plan									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 485,897	461,015	519,417	489,985	459,071	465,927	480,350	516,769	540,970	583,380
Contributions in relation to the contractually required contribution	<u>485,897</u>	<u>461,015</u>	<u>519,417</u>	<u>489,985</u>	<u>459,071</u>	<u>465,927</u>	<u>480,350</u>	<u>516,769</u>	<u>540,970</u>	<u>583,380</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Corporation's covered payroll	\$ 3,628,079	3,814,468	4,297,080	3,887,580	3,494,884	3,291,106	2,734,022	2,665,135	2,662,409	2,906,547
Contributions as a percentage of covered payroll	13.39%	12.09%	12.09%	12.60%	13.14%	14.16%	17.57%	19.39%	20.32%	20.07%

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, 2022

	General Fund						Total General Fund	Public Purpose Fund	Capital Fund	Reserved Fund	Total
	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram					
Revenue:											
Residential fees	\$ 816,699	-	-	-	-	-	816,699	-	2,221,162	517,817	3,555,678
Ground rent	15,660,409	-	-	-	-	-	15,660,409	-	400,000	-	16,060,409
Commercial rent	1,704,219	-	-	-	-	-	1,704,219	-	-	-	1,704,219
Tramway revenue	-	-	-	-	-	2,990,399	2,990,399	-	-	-	2,990,399
Public safety reimbursement	-	2,299,698	-	-	-	-	2,299,698	-	-	-	2,299,698
Transportation/parking revenue	-	-	133,048	2,472,276	-	-	2,605,324	-	-	-	2,605,324
Interest income	672,286	-	-	-	-	-	672,286	-	263	32,448	704,997
Other revenue	619,297	-	-	-	218,683	-	837,980	-	135,842	-	973,822
Total revenue	19,472,910	2,299,698	133,048	2,472,276	218,683	2,990,399	27,587,014	-	2,757,267	550,265	30,894,546
Expenses:											
Personal services:											
Salaries	4,937,440	3,451,942	1,016,194	-	546,408	-	9,951,984	-	-	-	9,951,984
Temporary employees	131,253	-	-	-	9,745	-	140,998	-	-	-	140,998
Employee benefits	2,347,243	1,363,425	346,197	-	162,173	-	4,219,038	-	-	-	4,219,038
Compensated absences	128,666	-	-	-	-	-	128,666	-	-	-	128,666
Total personal services	7,544,602	4,815,367	1,362,391	-	718,326	-	14,440,686	-	-	-	14,440,686
Other than personal services:											
Insurance	3,454,681	-	-	-	-	86,295	3,540,976	-	-	-	3,540,976
Professional services	1,600,242	6,180	-	-	211,760	-	1,818,182	-	-	-	1,818,182
Management fees	-	-	-	1,005,730	-	4,644,510	5,650,240	-	-	-	5,650,240
Legal services	476,119	-	-	-	-	-	476,119	-	-	-	476,119
Telecommunications	216,082	-	-	-	-	-	216,082	-	-	-	216,082
Island improvements/capital plan	564,588	-	-	-	-	-	564,588	-	-	-	564,588
Repairs and maintenance	353,139	3,510	14,696	1,350	-	7,780	380,475	-	-	-	380,475
Vehicles maintenance	59,128	22,077	213,424	-	375	-	295,004	-	-	-	295,004
Equipment purchases/lease	158,598	(115)	2,198	-	-	-	160,681	-	-	-	160,681
Supplies/services	721,492	84,167	45,485	59,212	100,396	196,754	1,207,506	-	-	-	1,207,506
Other expenses	144,026	10,672	213	-	213,141	-	368,052	150,015	-	100	518,167
Total other than personal services	7,748,095	126,491	276,016	1,066,292	525,672	4,935,339	14,677,905	150,015	-	100	14,828,020
Total operating expenses, excluding depreciation	15,292,697	4,941,858	1,638,407	1,066,292	1,243,998	4,935,339	29,118,591	150,015	-	100	29,268,706
Operating income (loss) before depreciation	4,180,213	(2,642,160)	(1,505,359)	1,405,984	(1,025,315)	(1,944,940)	(1,531,577)	(150,015)	2,757,267	550,165	1,625,840
Depreciation expense	-	-	-	-	-	-	-	-	(7,304,099)	-	(7,304,099)
Change in net position	\$ 4,180,213	(2,642,160)	(1,505,359)	1,405,984	(1,025,315)	(1,944,940)	(1,531,577)	(150,015)	(4,546,832)	550,165	(5,678,259)



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

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

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Other Supplementary Information  
Budget Variance Report  
Year ended March 31, 2022

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u> <u>Variance</u>	<u>Percent</u>
Revenue:				
Residential fees	\$ 3,555,678	1,816,000	1,739,678	96%
Ground rent	16,060,409	15,243,000	817,409	5%
Commercial rent	1,704,219	1,701,000	3,219	1%
Tramway revenue	2,990,399	6,356,000	(3,365,601)	(53%)
Public safety reimbursement	2,299,698	2,279,000	20,698	1%
Transport/parking revenue	2,605,324	3,232,000	(626,676)	(19%)
Interest income	704,997	797,000	(92,003)	(12%)
Other revenue	<u>973,822</u>	<u>1,385,000</u>	<u>(411,178)</u>	<u>(30%)</u>
Total revenue	<u>30,894,546</u>	<u>32,809,000</u>	<u>(1,914,454)</u>	<u>(6%)</u>
Expenses:				
Personal services (PS) :				
Salaries	9,409,095	9,718,788	309,693	3%
Salaries OT	542,889	196,560	(346,329)	(176%)
Temporary employees	140,998	162,000	21,002	13%
Workers compensation and disability	281,888	159,000	(122,888)	(77%)
ER payroll taxes	828,444	833,530	5,086	1%
Health insurance	2,053,230	2,361,868	308,638	13%
Dental/vision	69,584	87,440	17,856	20%
Pension	450,841	1,135,503	684,662	60%
Other employee benefits	535,051	1,048,525	513,474	49%
Compensated absences expenses	<u>128,666</u>	<u>-</u>	<u>(128,666)</u>	<u>(100%)</u>
Total personal services (PS)	<u>14,440,686</u>	<u>15,703,214</u>	<u>1,262,528</u>	<u>8%</u>
Other than personal services (OTPS) :				
Insurance	3,540,976	3,561,500	20,524	1%
Professional services	1,749,865	1,295,576	(454,289)	(35%)
Marketing/advertising	68,317	40,000	(28,317)	(71%)
Management fees	5,650,240	5,600,000	(50,240)	(1%)
Legal services	476,119	425,000	(51,119)	(12%)
Telecommunications	216,082	213,500	(2,582)	(1%)
Island improvements - capital plan	564,588	490,800	(73,788)	(15%)
Repairs and maintenance	337,928	950,300	612,372	64%
Repairs and maintenance equipment	36,777	44,500	7,723	17%
Other repairs and maintenance	<u>5,770</u>	<u>293,000</u>	<u>287,230</u>	<u>98%</u>

(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) Variance</u>	<u>Percent</u>
Expenses, Continued:				
Other than personal services (OTPS), continued:				
Vehicles gas	\$ 145,618	126,200	(19,418)	(15%)
Vehicles repair and maintenance	122,052	133,000	10,948	8%
Vehicles parts	27,334	17,500	(9,834)	(56%)
Equipment lease	48,865	32,000	(16,865)	(53%)
Office equipment purchase	32,079	18,500	(13,579)	(73%)
Equipment purchases	49,119	38,500	(10,619)	(28%)
Other equipment purchases	30,618	30,000	(618)	(2%)
Exterminator	7,455	14,000	6,545	47%
Uniforms	98,007	78,500	(19,507)	(25%)
Light, power, heat	631,745	783,000	151,255	19%
Water and sewer	17,245	25,000	7,755	31%
Office supplies	25,434	33,000	7,566	23%
Parts and supplies	332,747	232,433	(100,314)	(43%)
Service maintenance agreement	94,873	151,480	56,607	37%
Employee travel and meal	740	9,733	8,993	92%
Employee training	95,346	125,000	29,654	24%
Shipping	9,071	18,310	9,239	50%
Subscriptions/membership	26,247	34,556	8,309	24%
Other expenses	173,822	294,250	120,428	41%
Island events - community relations	212,941	158,000	(54,941)	(35%)
Total other than personal services (OTPS)	<u>14,828,020</u>	<u>15,267,138</u>	<u>439,118</u>	3%
Total expenses	<u>29,268,706</u>	<u>30,970,352</u>	<u>1,701,646</u>	5%
Operating income before depreciation	1,625,840	1,838,648	(212,808)	(12%)
Depreciation expense	<u>(7,304,099)</u>	<u>(4,492,025)</u>	<u>(2,812,074)</u>	63%
Net surplus (deficit)	<u><u>\$(5,678,259)</u></u>	<u><u>(2,653,377)</u></u>	<u><u>(3,024,882)</u></u>	114%

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

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

(Continued)

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

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

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 (RIOC), a component unit of the State of New York, as of and for the year ended March 31, 2022, and the related notes to financial statements, which collectively comprise RIOC's basic financial statements, and have issued our report thereon dated June 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RIOC'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 RIOC's internal control. Accordingly, we do not express an opinion on the effectiveness of RIOC'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 RIOC'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.

EFPR Group, CPAs, PLLC

Williamsville, New York  
June 28, 2022