

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

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

March 31, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the additional information on pages 45 through 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS,

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2025 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 23, 2025

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

Management's Discussion and Analysis

March 31, 2025 and 2024

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, 2025 and 2024, and the results of its operations for the years then ended. Management has prepared the financial statements and related note disclosures along with this MD&A in accordance with accounting principles generally accepted in the United States of America as (GAAP) defined by the Governmental Accounting Standards Board (GASB) for state and local governments. This MD&A should be read in conjunction with the audited financial statements and accompanying notes to financial statements, which directly follow the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE CORPORATION NET POSITION

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

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

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

Management's Discussion and Analysis, Continued

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

The decrease in the deferred outflows of resources in the amount of \$1,733,002 or 14% is due to RIOC's compliance with the provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27," GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68," and GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." See notes 2(k) for additional information and 7 for the financial statement impact of compliance on the financial statements for the pension; and note 10 for OPEB. The increase in deferred inflows of resources is due to receipt of \$24,818,119 in November of 2024 when Building 9 received their Temporary Certificate of Occupancy, triggering the Specific Rental Payment clause of the ground lease.

The following is a summary of the RIOC's Statements of Net Position at March 31, 2024 and 2023 and the percentage changes between March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>	<u>% Change</u>
Current and other assets	\$ 20,494,521	23,619,559	-13%
Lease receivables, less current installments	483,795,602	489,914,279	-1%
Capital assets, net	<u>151,329,156</u>	<u>156,681,274</u>	-3%
Total assets	<u>655,619,279</u>	<u>670,215,112</u>	-2%
Deferred outflows of resources	<u>12,398,891</u>	<u>13,037,078</u>	-5%
Liabilities	<u>29,861,059</u>	<u>22,974,029</u>	30%
Deferred inflows of resources	<u>535,791,540</u>	<u>548,722,309</u>	-2%
Net position	<u>\$ 102,365,571</u>	<u>111,555,852</u>	-8%

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

On RIOC's Statement of Net Position at March 31, 2024 total assets of \$655,619,279 and deferred outflow of resources of \$12,398,891 exceeded total liabilities of \$29,861,059 and deferred inflows of resources of \$535,791,540 by \$102,365,571 (net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$151,329,156, lease receivables of \$489,914,279, noncurrent investments totaling \$2,489,251, cash and short-term investments totaling \$10,622,083 and other assets of \$1,264,510. Liabilities are comprised of accounts payable and accrued expenses of \$2,122,514, compensated absences of \$939,446, unearned revenue of \$242,323, total OPEB liability of \$23,805,947 and net pension liability of \$2,750,829.

The decrease in the deferred outflows of resources in the amount of \$638,187 or 5% and the decrease in the deferred inflows of resources in the amount of \$12,930,769 or 2% 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 Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68," and GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." See notes 2(k) for additional information and 7 for the financial statement impact of compliance on the financial statements for 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, 2025 was \$43,196,743. For the year ended March 31, 2025, operating revenue increased by \$6,687,686 or 18% over the prior year. This was due to an increase in residential fees of \$3,964,549, ground rent of \$1,046,171, commercial rent of \$458,219, public safety reimbursement of \$90,405, transportation/parking revenue of \$142,864, interest income of \$112,619 and other revenue of \$1,658,540. This was offset by a decrease in tramway revenue of \$785,681.

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

RIOC's total operating revenue for the year ended March 31, 2024 was \$36,509,057. For the year ended March 31, 2024, operating revenue increased by \$3,974,679 or 12% over the prior year. This was mainly due to an increase in commercial rent of \$171,133, tramway revenue of \$2,097,765 and public safety reimbursement of \$72,923, residential fees of \$305,156, ground rent of \$139,221, transport/parking revenue of \$64,130, interest income of \$458,755 and other revenue of \$665,596.

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

RIOC's total expenses for the year ended March 31, 2024 were \$45,699,338 and \$39,751,181 for the year ended March 31, 2023, including depreciation of \$8,376,452 and \$8,149,570, respectively. For the year ended March 31, 2024, total operating expenses before depreciation increased by \$5,721,275 or 18% over the prior year. This was mainly due to an increase in personal services of \$3,190,614, repairs and maintenance \$19,877, insurance of \$700,123, professional and legal services of \$1,551,227, management fees of \$298,808, other expenses of \$33,025, telecommunication expenses \$43,943, equipment purchases/lease of \$31,736 which was offset by a decrease in vehicles maintenance of \$140,989 and supplies/services of \$7,089.

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

The following summarizes RIOC's change in net position for the years ended March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Operating revenue:			
Residential fees	\$ 7,153,191	3,188,642	124%
Ground rent	10,470,267	9,424,096	11%
Commercial rent	1,799,705	1,341,486	34%
Tramway revenue	5,487,676	6,273,357	-13%
Public safety reimbursement	2,532,624	2,442,219	4%
Transport/parking revenue	2,703,147	2,560,283	6%
Interest income	10,075,670	9,963,051	1%
Other revenue	<u>2,974,463</u>	<u>1,315,923</u>	126%
Total operating revenue	<u>43,196,743</u>	<u>36,509,057</u>	18%
Operating expenses:			
Personal services	19,922,421	18,789,573	6%
Insurance	4,915,531	4,265,221	15%
Professional services and legal services	4,557,564	3,983,881	14%
Management fees	6,834,867	6,398,801	7%
Telecommunications	251,044	258,413	-3%
Repairs and maintenance	1,318,906	1,274,186	4%
Vehicles maintenance	310,421	264,471	17%
Equipment purchases/lease	166,006	184,877	-10%
Supplies/services	1,510,184	1,300,598	16%
Other expenses	<u>488,207</u>	<u>602,865</u>	-19%
Total operating expenses, excluding depreciation	<u>40,275,151</u>	<u>37,322,886</u>	8%
Operating income (loss) before depreciation	2,921,592	(813,829)	459%
Depreciation expense	<u>(8,415,409)</u>	<u>(8,376,452)</u>	0%
Change in net position	(5,493,817)	(9,190,281)	40%
Net position at beginning of year	<u>102,365,571</u>	<u>111,555,852</u>	-8%
Net position at end of year	<u><u>\$ 96,871,754</u></u>	<u><u>102,365,571</u></u>	-5%

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

The following summarizes RIOC's change in net position for the years ended March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>	<u>% Change</u>
Operating revenue:			
Residential fees	\$ 3,188,642	2,883,486	11%
Ground rent	9,424,096	9,284,875	1%
Commercial rent	1,341,486	1,170,353	15%
Tramway revenue	6,273,357	4,175,592	50%
Public safety reimbursement	2,442,219	2,369,296	3%
Transport/parking revenue	2,560,283	2,496,153	3%
Interest income	9,963,051	9,504,296	5%
Other revenue	<u>1,315,923</u>	<u>650,327</u>	102%
Total operating revenue	<u>36,509,057</u>	<u>32,534,378</u>	12%
Operating expenses:			
Personal services	18,789,573	15,598,959	20%
Insurance	4,265,221	3,565,098	20%
Professional services and legal services	3,983,881	2,432,654	64%
Management fees	6,398,801	6,099,993	5%
Telecommunications	258,413	214,470	20%
Repairs and maintenance	1,274,186	1,254,309	2%
Vehicles maintenance	264,471	405,460	-35%
Equipment purchases/lease	184,877	153,141	21%
Supplies/services	1,300,598	1,307,687	-1%
Other expenses	<u>602,865</u>	<u>569,840</u>	6%
Total operating expenses, excluding depreciation	<u>37,322,886</u>	<u>31,601,611</u>	18%
Operating income (loss) before depreciation	(813,829)	932,767	-187%
Depreciation expense	<u>(8,376,452)</u>	<u>(8,149,570)</u>	3%
Change in net position	(9,190,281)	(7,216,803)	-27%
Net position at beginning of year	<u>111,555,852</u>	<u>118,772,655</u>	-6%
Net position at end of year	<u>\$ 102,365,571</u>	<u>111,555,852</u>	-8%

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

CAPITAL ASSETS

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

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

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

The following summarizes RIOC's net capital assets as of March 31, 2024 and 2023 and the percentage change between years:

	<u>2024</u>	<u>2023</u>	<u>% Change</u>
Seawall	\$ 12,846,528	13,054,035	-2%
Buildings and building improvements	53,245,068	57,016,056	-7%
Landmarks	11,341,885	11,704,305	-3%
Vehicles and equipment	1,630,063	1,940,547	-16%
Infrastructure	72,016,863	72,687,695	-1%
Leasehold improvements	<u>248,749</u>	<u>278,636</u>	-11%
Total capital assets, net	<u>\$ 151,329,156</u>	<u>156,681,274</u>	-3%

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

The capital assets of \$151,329,156 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The decrease of \$5,352,118 from the prior year due tightening of our capital expenditure budget, and annual depreciation of \$8,376,452. Total depreciation expense for all capital assets amounted to \$8,376,452 and \$8,149,570 for the years ended March 31, 2024 and 2023, respectively. A more detailed analysis of RIOC's capital assets is presented in note 3.

INFRASTRUCTURE ASSETS

The amounts reported in the accompanying statements of net position for capital assets (net of depreciation) of RIOC of \$147,045,723 and \$151,329,156 at March 31, 2025 and 2024, respectively, do not include an amount for two infrastructure items: (1) the bulk of the seawall; and (2) Main Street (the road). Pursuant to the provisions of GASB Statement No. 34 - Basic Financial Statement and Management's Discussion and Analysis - For State and Local Governments, addressing the capitalization of infrastructure assets, infrastructure assets dating from prior to 1980 are not required to be recognized. However, improvements to such infrastructure items are disclosed.

ECONOMIC FACTORS AFFECTING RIOC'S FUTURE FINANCIAL POSITION

As of November 21, 2024 the anticipated nine (9) buildings (collectively, the Buildings) of the Southtown Development Project have been completed. The Lease for Building 8 ("Ground Lease") was executed as of December 26, 2018 ("Commencement Date"). From the Commencement Date to the earlier of (i) the date upon which one or more Temporary Certificates of Occupancy is issued by the New York City Department of Buildings for at least ninety percent (90%) of the Units in Building 8, or (ii) the second (2nd) anniversary of the Commencement Date, Construction Period Ground Rent shall be payable at the rate of \$24,000 monthly (\$288,000 annually). The earlier of (i) or (ii) in the preceding sentence is the Rent Commencement Date (RCD), which occurred on July 19, 2020.

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

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

Management's Discussion and Analysis, Continued

Building 9 lease closing shall occur no later than 30 months after the Building 8 Lease Closing. Should closing fail to occur within the expected timeframe, RIOC is protected by a Letter of Credit in the amount of \$1,958,400. Unfortunately, due to the outbreak of the COVID-19 pandemic that hit New York City in and around February 2020, negotiations for the ground lease were suspended. The thirty (30) month period for the Building 9 Lease closing was extended six (6) months to December 26, 2021 and was executed as of November 10, 2022 and ground lease commenced in November 21, 2024.

Roosevelt Landings, formerly known as Eastwood, exited the Mitchell Lama (ML) program in 2006. Units are now a mix of market rate, enhanced voucher, and Landlord Assistance Plan units, with rents that will convert to market rate upon vacancy. As of March 31, 2025, 29 (8%) of the units have been converted to market rate units. The ground lease for Roosevelt Landings expires in 2068. On October 17, 2019, RIOC's Board of Directors approved the sale of Roosevelt Landings. This property sale was very well received because of the new owner's commitment to maintain affordable housing units within the property. As part of that transaction, BSREP UA Roosevelt Landings, LLC, sold its interests and ground lease obligations in the property to Putnam Harlem JV LP, and Roosevelt Landings Owner, LLC as the beneficial owner to purchaser. The assignment of the lease and rights thereunder, per its terms, triggered a transaction payment due to RIOC in the approximate amount of \$1,816,137. RIOC received that payment on October 23, 2019.

Island House exited from ML on September 28, 2012, under a 30-year Affordability Plan. At that time, the ground lease for Island House was extended to 2068. This plan provided a structure for the creation of a leasehold condominium and the conversion of the residential portion of the building to cooperative ownership. The conversion to cooperative ownership occurred on January 1, 2014, the first day of the year following the conversion in accordance with the terms of the lease. At least 65% of the units will either be sold as affordable co-ops or remain as affordable rentals; and as of March 31, 2025, 76 (19%) of the units have been converted to market rate.

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, 2025 and 2024, 331 or 92% and 355 or 98% 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 current contract that has been expired in March 31, 2023, is undergoing negotiation. The Tram continues to operate in a state-of-the-art condition and without interruption during the negotiation process. Additionally, any long-term repairs or overhauls that are needed will also be covered under the terms of this renewal. The cost of the long-term repairs or overhauls are additional expenses that RIOC is responsible for and are approved in advance on an annual basis and included in RIOC's approved ten-year Capital Plan.

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

During the year that ended on March 31, 2025, total ridership on the Tram decreased to 3,018,603 from 3,403,557 and Tramway revenue decreased by \$785,681 or 13% over the year ended March 31, 2024. The decline in ridership was mainly due to disruptions from equipment and upgrades, and speed restrictions imposed by the New York State Department of Transportation (DOT) for safety measures, which resulted in slower operations and fewer trips each day. However, tram speeds returned to normal in February 2025, and regular service schedules have since resumed.

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

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

As mentioned above, RIOC paid HRR \$329,846 for the unamortized cost of Initial Capital Improvements and subsequent alterations to the commercial space under the Sublease, and Retail Brokerage Fees incurred by HRR in marketing and leasing such commercial space. HRR was required to invest no less than \$2,365,000 in the aggregate in capital improvements during the first five years of the Agreement. According to its unaudited financial statements as of December 31, 2023, HRR invested \$3,998,526 and reported net income of \$97,693. According to the Agreement, RIOC will share future profits equally once HRR is paid back its investment. HRR made its first profit-sharing payment during the year ended December 31, 2022 in the amount of \$500,000. For the years ended, December 31, 2024 and December 31, 2023, respectively, profit-sharing payments of \$425,000 and \$200,000 were made.

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

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

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

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

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

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

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

Management's Discussion and Analysis, Continued

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 would have improved safety for both cyclists and motorists and increase ease of access for cyclists coming onto the Island. The estimated cost was \$4 million dollars. RIOC intended 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 required 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 would have provided a vital link for cyclists between the Island and dedicated bike lanes in Queens and was expected to be used by Island residents, visitors and commuters. This project has been officially terminated in June 20, 2024.

On April 24, 2019, New York State DOT 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. In June 20, 2024 the project has been terminated.

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
(A Component Unit of the State of New York)

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 was 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 was completed in Spring 2022.

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

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

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, 2025 and 2024

<u>Assets</u>	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and equivalents	\$ 4,456,751	3,845,713
Short-term investments	30,305,597	6,776,370
Receivables	952,238	907,679
Current installments of lease receivables	6,294,229	6,118,677
Prepaid expenses	542,436	356,831
Total current assets	<u>42,551,251</u>	<u>18,005,270</u>
Noncurrent assets:		
Noncurrent investments	1,020,781	2,489,251
Lease receivables, less current installments	477,501,375	483,795,602
Capital assets, net of accumulated depreciation	147,045,723	151,329,156
Total noncurrent assets	<u>625,567,879</u>	<u>637,614,009</u>
Total assets	<u>668,119,130</u>	<u>655,619,279</u>
Deferred outflows of resources:		
Pension	1,859,081	2,092,139
OPEB	8,806,808	10,306,752
Total deferred outflows of resources	<u>10,665,889</u>	<u>12,398,891</u>
<u>Liabilities</u>		
Current liabilities - accounts payable and accrued expenses	1,246,203	2,122,514
Compensated absences	1,778,682	939,446
Unearned revenue	-	242,323
Total OPEB liability	21,724,299	23,805,947
Net pension liability - proportionate share - ERS	1,631,416	2,750,829
Total liabilities	<u>26,380,600</u>	<u>29,861,059</u>
Commitments and contingencies (note 9)		
Deferred inflows of resources:		
Leases	547,536,499	531,635,046
Pension	1,120,056	348,060
OPEB	6,876,110	3,808,434
Total deferred inflows of resources	<u>555,532,665</u>	<u>535,791,540</u>
Net position:		
Net investment in capital assets	147,045,723	151,329,156
Unrestricted (deficit)	(50,173,969)	(48,963,585)
Total net position	<u>\$ 96,871,754</u>	<u>102,365,571</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, 2025 and 2024

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

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 64,929,989	33,029,427
Payments related to employees	(16,860,478)	(15,504,167)
Payments to vendors	<u>(21,265,740)</u>	<u>(17,477,990)</u>
Net cash provided by operating activities	<u>26,803,771</u>	<u>47,270</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(4,131,976)	(3,024,334)
Sale of short-term investments	1,468,470	138,779
Sale (purchase) of noncurrent investments	<u>(23,529,227)</u>	<u>5,144,419</u>
Net cash provided by (used in) capital and related financing activities	<u>(26,192,733)</u>	<u>2,258,864</u>
Net change in cash	611,038	2,306,134
Cash and equivalents at beginning of year	<u>3,845,713</u>	<u>1,539,579</u>
Cash and equivalents at end of year	<u><u>\$ 4,456,751</u></u>	<u><u>3,845,713</u></u>
Cash flows from operating activities:		
Change in net position	(5,493,817)	(9,190,281)
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	8,415,409	8,376,452
Changes in:		
Receivables	(44,559)	(543,611)
Lease receivables	6,118,675	5,948,276
Prepaid expenses	(185,605)	(115,372)
Net pension asset - proportionate share - ERS	-	977,358
Deferred outflows of resources	1,733,002	638,187
Accounts payable and accrued expenses	(876,311)	1,381,251
Compensated absences	839,236	(197,485)
Unearned revenue	(242,323)	(237,850)
Total OPEB liability	(2,081,648)	3,190,285
Net pension liability - proportionate share - ERS	(1,119,413)	2,750,829
Deferred inflows of resources	<u>19,741,125</u>	<u>(12,930,769)</u>
Net cash provided by operating activities	<u><u>\$ 26,803,771</u></u>	<u><u>47,270</u></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, 2025 and 2024

(1) Organization

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(a) Basis of Presentation, Continued

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

(b) Budgetary Information

During the years ended March 31, 2025 and 2024, RIOC did not request appropriations from the State of New York. Accordingly, budgetary information was not included in the notes to financial statements. However, the Board did approve an operating budget, which is included as other supplementary information.

(c) Cash and Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash - deposits	\$ 4,456,751	3,845,713
Short-term investments:		
Cash deposit	502,797	492,163
Insured cash sweep (ICS)	195,667	193,234
Money market accounts	184,978	1,879,018
Treasury bills	29,422,155	4,211,955
Total short-term investments	30,305,597	6,776,370
Total cash and short-term investments	\$ 34,762,348	10,622,083

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

The money market and cash accounts are secured by a letter of credit from Federal Home Loan Bank of Cincinnati and collateral securities held in escrow by JP Morgan Chase Bank, NA and managed by the National Collateral Management Group with market values totaling \$30,000,000 as of March 31, 2025 and \$10,000,000 as of March 31, 2024.

Investments managed internally consist of insured cash sweep, "ICS", which is a Federal Deposit Insurance Corporation (FDIC) insured program administered by Amalgamated Bank, with purchased maturities of twelve months or less, Treasury bill and interest bearing cash deposit accounts. RIOC's investment guidelines limited its investments of funds primarily to obligations of the United States of America (United States Government Securities), the State of New York, high grade Corporate Securities or certificates of

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

(2) Summary of Significant Accounting Policies, Continued

(c) Cash and Equivalents, Continued

deposit. All cash and funds invested in certificates in any fiduciary bank or trust company must be secured at all times by United States Government Securities or obligations of the State of New York with a market value, combined with any FDIC coverage, at least equal to the amount of such deposits. Monies held by the Trustees are only secured by obligations guaranteed by the United States of America.

(d) Noncurrent Investments

This represents funds set aside to satisfy the obligation for postemployment benefits other than pensions under GASB Statement No. 75 and are invested in collateralized money market accounts. The carrying amount of these investments are \$1,020,781 and \$2,489,251 at March 31, 2025 and 2024, respectively.

(e) Fair Value Measurements

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

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

RIOC holds financial instruments with quoted prices in active markets for identical assets (level 1) of \$31,326,378 and \$9,265,621 at March 31, 2025 and 2024, respectively.

(f) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported on the statements of net position in the accompanying financial statements. Capital assets are defined by RIOC as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Pursuant to the provisions of GASB Statement No. 34 - Basic Financial Statement and Management's Discussion and Analysis - For State and Local Governments, addressing the capitalization of infrastructure assets, infrastructure assets dating from prior to 1980 are not required to be recognized. However, improvements to such infrastructure items are disclosed.

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

(2) Summary of Significant Accounting Policies, Continued

(f) Capital Assets, Continued

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

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

(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, 2025 and 2024 was \$1,778,682 and \$939,446, respectively.

(h) Unearned Revenue

Unearned revenue reported in the statements of net position represent amounts collected in advance for lease-related payments pertaining to subsequent fiscal years. These amounts will be recognized as income in the applicable reporting period.

(i) Public Purpose Grants

Included in "Other expenses" are expenses for public purpose grants of \$165,000 and \$162,500 for the years ended March 31, 2025 and 2024, respectively. The grants were awarded to various Island-based not-for-profits upon evaluation of their applications and Board approval.

(j) Estimates

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

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(k) Deferred Outflows and Inflows of Resources

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

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

(l) Accounting and Financial Reporting for Pensions

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

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

(2) Summary of Significant Accounting Policies, Continued

(m) Reclassifications

Reclassifications have been made to certain 2024 balances in order to conform them to the 2025 presentation.

(3) Capital Assets

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

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

	Balance at April 1, <u>2023</u>	<u>Increase</u>	<u>Decrease</u>	Balance at March 31, <u>2024</u>
Historical cost:				
Seawall	\$ 15,148,040	-	-	15,148,040
Building and building improvements	109,596,138	1,563,116	-	111,159,254
Landmarks	21,849,328	5,500	-	21,854,828
Vehicles	4,607,054	47,534	-	4,654,588
Equipment	5,421,521	266,696	-	5,688,217
Infrastructure	94,237,501	1,141,488	-	95,378,989
Leasehold improvements	<u>448,303</u>	<u>-</u>	<u>-</u>	<u>448,303</u>
Total historical cost	<u>251,307,885</u>	<u>3,024,334</u>	<u>-</u>	<u>254,332,219</u>
Less accumulated depreciation:				
Seawall	(2,094,005)	(207,507)	-	(2,301,512)
Building and building improvements	(52,580,082)	(5,334,104)	-	(57,914,186)
Landmarks	(10,145,023)	(367,920)	-	(10,512,943)
Vehicles	(3,691,593)	(207,251)	-	(3,898,844)
Equipment	(4,396,435)	(417,463)	-	(4,813,898)
Infrastructure	(21,549,806)	(1,812,320)	-	(23,362,126)
Leasehold improvements	<u>(169,667)</u>	<u>(29,887)</u>	<u>-</u>	<u>(199,554)</u>
Total accumulated depreciation	<u>(94,626,611)</u>	<u>(8,376,452)</u>	<u>-</u>	<u>(103,003,063)</u>
Net capital assets	<u>\$ 156,681,274</u>	<u>(5,352,118)</u>	<u>-</u>	<u>151,329,156</u>

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

Notes to Financial Statements, Continued

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

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

(a) Residential Fees

The net present value (NPV) fee for Octagon and Southtown buildings #1, 2, 3, 4, 5, 6, 7, and 8 were collected in advance and recognized over the term of the lease and are included in deferred inflows of resources related to leases. Tax equivalent payments (TEP) are collected and recognized from Southtown buildings #5, 6, 7, 8 and 9 over the term of the lease. Condo sales fees are collected and recognized upon closing of a sale. TEP and NPV are fixed and the Condo fees vary according to sales.

(b) Ground Rent

Ground rents are derived from ground subleases between RIOC and various developers of housing on Roosevelt Island. Most of the ground subleases expire in 2068, which coincides with the expiration of the master lease between RIOC and the City, the owner of Roosevelt Island. Ground rents account for nearly 52% of annual revenue. The two main sources of ground rents are Manhattan Park and Roosevelt Landings (formerly Eastwood). The other streams of ground rents are from Southtown Buildings #1, 2, 3, 4, 5, 6, 7, 8 and 9; Island House; Rivercross; and Octagon.

Manhattan Park - Under the terms of the ground sublease between RIOC and Roosevelt Island Associates dated August 4, 1986 and expiring in 2068, annual rent, which commenced on the Rent Commencement Date of January 1, 1991, consists of a base ground rent of \$100,000 and additional fixed ground rent of \$1,900,000, increasing \$100,000 annually through December 31, 2011. As of January 1, 2012 and continuing through December 31, 2026, annual ground rent consists of the base ground rent of \$100,000 and additional fixed ground rent of \$4,000,000. Beyond 2026 until expiration in 2068, the ground rent is based upon the appraised value of the property times an applicable percentage, which is the market rate of return. Ground rents earned under the terms of the ground sublease were \$4,100,000 for the years ended March 31, 2025 and 2024.

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 \$2,508,907 and \$2,040,649 for the years ended March 31, 2024 and 2023, respectively. For the years ended March 31, 2025 and 2024, the percentage rent earned was \$2,064,388 and \$2,040,649, respectively.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

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

(b) Ground Rent, Continued

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

Putnam Harlem JV LP (formerly BSREP) - Pursuant to an Amended and Restated Lease between RIOC and North Town Roosevelt, LLC (North Town) dated September 21, 2006 (the "Eastwood Lease"), the base ground rent increased to \$1 million per year effective October 1, 2006, plus a percentage increase in accordance with annual rent rolls increases. Ground rents earned totaled \$2,189,340 and \$2,173,234 for the years ended March 31, 2025 and 2024, respectively.

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

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

Ground rents for Southtown Buildings #1, 2, 3 and 4 and for a portion of Buildings #5, 6, 7, 8 and 9, as well as the Octagon were paid in advance. Ground rents earned for Building #1-9 totaled \$4,404,224 and \$3,915,969 for the years ended March 31, 2025 and 2024, respectively.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

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

(c) Commercial Rent

On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC (HRR) to redevelop, improve, market, lease and professionally operate the Commercial Retail Spaces controlled by RIOC. HRR will pay RIOC an annual guaranteed rent of \$900,000 - escalating by 2% annually for the first five years and 2.5% annually thereafter, plus participation in the profits of HRR. According to the agreement, RIOC will share future profits evenly once HRR is paid back its investment. According to its unaudited financial statements as of December 31, 2024, HRR invested \$3,998,526 and reported a gain of \$132,099.

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

(d) Tramway Revenue

During February 2004, RIOC entered into an agreement with The New York City Transit Authority (NYCTA) for revenue collection from the Tramway. In the agreement, RIOC receives from the NYCTA a fare of \$2.00 for all swipes of full-fare Metro Cards, including transfers, in turnstiles located in RIOC's tram stations. The funds are transmitted to RIOC via electronic funds transfer and the NYCTA supplies appropriate reports for the reconciliation of the revenue and ridership. There is a franchise fee expense associated with this agreement that is half of one percent of gross sales. Tramway revenue was \$5,487,676 and \$6,273,357 for the years ended March 31, 2025 and 2024, respectively. Tramway costs were \$7,329,547 and \$5,576,702 for the years ended March 31, 2025 and 2024, 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 \$2,532,624 and \$2,442,219 for the years ended March 31, 2025 and 2024, respectively. PSD costs were \$5,086,740 and \$5,200,167, for the years ended March 31, 2025 and 2024, respectively.

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

Notes to Financial Statements, Continued

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

(f) Transportation/Parking Fees

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

RIOC's share of Motorgate revenue totaled \$2,384,770 and \$2,170,444 for the years ended March 31, 2025 and 2024, respectively. Parking costs were \$1,355,034 and \$1,188,733, for the years ended March 31, 2025 and 2024, respectively. Transportation revenue from the provision of bus services totaled \$60,465 and \$138,423 for the years ended March 31, 2025 and 2024, respectively. The cost of running the bus service totaled \$1,670,257 and \$1,764,459 for the same respective periods. Additionally, revenue from street parking meters for these periods totaled \$257,912 and \$251,416, respectively.

(g) Interest and Other Revenue

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

(h) De-designation Fee Income

The Development Agreement for Southtown buildings (Buildings) seven (7) through nine (9) between Hudson Related Joint Venture (Developer) and RIOC included a contingent de-designation (cancellation of project or portion of) fee of \$1,958,400. The Development Agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of \$1,958,000 maturing on August 15, 2022, to be renewed annually. The Building 8 Lease was closed on December 26, 2018 and construction was substantially completed on July 19, 2020. The Building 9 Lease closing shall occur no later than 30 months after the Building 8 Lease Closing. Should development fail to occur within the expected timeframe, RIOC is protected by a Letter of Credit in the amount of \$1,958,400. Unfortunately, due to the outbreak of the COVID-19 pandemic that hit the City in and around February 2020, negotiations for the ground lease were suspended. The thirty (30) month period for the Building 9 Lease closing was extended six (6) months to December 26, 2021 and was completed as of November 10, 2023.

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

Notes to Financial Statements, Continued

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

(i) Future Minimum Payments Due

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

Years ending <u>March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2026	\$ 6,294,229	9,583,748	15,877,977	9,377,262
2027	6,475,098	9,698,321	16,173,419	9,530,925
2028	6,661,443	10,024,275	16,685,718	9,786,375
2029	6,853,426	9,981,239	16,834,665	9,871,646
2030	7,051,224	9,950,607	17,001,831	9,965,908
2031 - 2035	38,293,040	51,009,649	89,302,689	52,059,787
2036 - 2040	41,962,620	53,038,053	95,000,673	54,489,922
2041 - 2045	48,189,730	54,982,803	103,172,533	58,824,824
2046 - 2050	55,633,258	56,966,309	112,599,567	63,837,831
2051 - 2055	59,169,735	56,496,491	115,666,226	64,860,564
2056 - 2060	66,410,448	57,667,459	124,077,907	69,011,009
2061 - 2065	76,837,652	59,774,712	136,612,364	75,563,252
2066 - 2069	<u>63,963,701</u>	<u>45,717,960</u>	<u>109,681,661</u>	<u>60,357,194</u>
	<u>\$ 483,795,604</u>	<u>484,891,626</u>	<u>968,687,230</u>	<u>547,536,499</u>

(5) Management Agreements

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

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

(6) Income Taxes

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

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans

Retirement plans in which RIOC contributes are detailed as follows:

(a) Union Employees

Union employees participate in separate defined contribution plans, which are administered by each union. RIOC contributed \$229,590 and \$241,650 for the years ended March 31, 2025 and 2024, respectively, to union employees' defined contribution plans.

(b) Non-Union Employees

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

Funding Policy

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

ERS eligibility requirements are as follows:

Tier 1 (Member before July 1, 1973):

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

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

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

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(b) Non-Union Employees, Continued

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

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

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

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

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

At March 31, 2025 and 2024, the Corporation reported the following liability for its proportionate share of the net pension liability for ERS which were measured as of March 31, 2024 and 2023, respectively. The total pension liability used to calculate the net pension was determined by an actuarial valuation. The Corporation's proportionate share of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the Corporation.

Measurement date	<u>3/31/2024</u>	<u>3/31/2023</u>
Net pension liability	\$ 1,631,416	2,750,829
Corporation's proportion of the Plan's net pension liability	0.0110799%	0.0128279%
Change in proportion from prior year	(0.0017480)	0.0008718

For the years ended March 31, 2025 and 2024, the Corporation recognized pension expense of \$562,867 and \$864,551, respectively, for ERS. At March 31, 2025 and 2024 the Corporation reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

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

Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

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

	<u>2025</u>		<u>2024</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	\$ 525,478	44,484	292,985	77,254
Changes of assumptions	616,802	-	1,335,980	14,765
Net difference between projected and actual investment earnings on pension plan investments	-	796,938	-	16,161
Changes in proportion and differences between the employer contributions and proportionate share of contributions	39,189	278,634	54,105	239,880
Corporation's contributions subsequent to the measurement date	<u>677,612</u>	<u>-</u>	<u>409,069</u>	<u>-</u>
Total	\$ <u>1,859,081</u>	<u>1,120,056</u>	<u>2,092,139</u>	<u>348,060</u>

Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

<u>Year ending</u>	<u>ERS</u>
2026	\$ (426,153)
2027	267,466
2028	434,389
2029	(214,289)
	\$ <u>61,413</u>

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

The total pension liability as of the March 31, 2024 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, 2024
Actuarial valuation date	April 1, 2023
Investment rate of return, (net of investment expense, including inflation)	5.9%
Salary increases	4.4%
Inflation	2.9%
Cost-of-living adjustments	1.5%

To set the long-term expected rate of return on pension plan investments, consideration was given to a building-block method using best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Demographic assumptions used in the April 1, 2023 actuarial valuation are based on the results of an actuarial experience study completed April 1, 2020. Demographic assumptions are primarily based on System experience over the period April 1, 2015 - March 31, 2020. Annuitant mortality rates are adjusted to incorporate mortality improvements under the Society of Actuaries' Scale MP-2021.

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

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

(7) Retirement Plans, Continued

(d) Actuarial Assumptions, Continued

Measurement date

March 31, 2024

	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
Asset type:		
Domestic equity	32%	4.00%
International equity	15%	6.65%
Private equity	10%	7.25%
Real estate	9%	4.60%
Opportunistic/ARS portfolio	3%	5.25%
Credit	4%	5.40%
Real assets	3%	5.79%
Fixed income	23%	1.50%
Cash	<u>1%</u>	0.25%
	<u>100%</u>	

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

(e) Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (<u>4.9%</u>)	Current Assumption (<u>5.9%</u>)	1% Increase (<u>6.9%</u>)
Corporation's proportionate share of the net pension asset (liability)	\$ (<u>5,129,340</u>)	(<u>1,631,416</u>)	<u>1,290,075</u>

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

(7) Retirement Plans, Continued

(g) Pension Plan Fiduciary Net Position

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

	(Dollars in Millions)	
Valuation date	<u>3/31/2024</u>	<u>3/31/2023</u>
Employers' total pension liability	\$ (240,697)	(232,627)
Fiduciary net position	<u>225,973</u>	<u>211,183</u>
Employers' net pension liability	\$ <u>(14,724)</u>	<u>(21,444)</u>
Ratio of fiduciary net position to the Employers' total pension liability	93.9%	90.7%

(h) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of March 31, 2025 and 2024 represent the projected employer contribution for the period of April 1, 2024 through March 31, 2025 and April 1, 2023 through March 31, 2024, respectively based on paid ERS wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying financial statements.

(8) Risk Management

RIOC purchases commercial insurance policies to adequately protect against potential loss stemming from general liability, vehicle liability, property damage, and public officials and employee liability. Coverages for the year ended March 31, 2025 were to provide adequate protection for RIOC were as follows:

<u>Coverages</u>	<u>2024-2025 Coverage Amount</u>
General liability - RIOC and Tram	\$100 million limit
Property	\$250 million limit
Boiler and machinery	\$100 million limit
Automobile	\$2 million limit
Public officials liability	\$5 million limit
Cyber	\$1 million limit

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

(9) Commitments and Contingencies

Commitments and contingencies at March 31, 2025 and 2024 are detailed as follows:

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

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

(b) Leases

RIOC has agreements with four (4) housing companies, namely Westview, Eastwood, Island House, and Rivercross, operating on the Island to sublease commercial space occupied by the housing companies. Rent expense for the years ended March 31, 2025 and 2024 was approximately \$611,531 and \$588,751, 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.

(10) Postemployment Benefits Other Than Pensions

(a) Plan Description and Benefits Provided

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

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

Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions, Continued

(a) Plan Description and Benefits Provided, Continued

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

Total expenditures charged to operations for the years ended March 31, 2025 and 2024 amounted to \$3,026,205 and \$3,362,038, respectively. At March 31, 2025 and 2024, the liability for active and retired employees amounted to \$21,724,299 and \$23,805,947, respectively. There are no assets accumulated in a trust that meet the criteria of GASB Statement No. 75, paragraph 4.

(b) Employees Covered by Benefit Terms

The number of participants as of March 31, 2025 was as follows:

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

(c) Total OPEB Liability

The Corporation's total OPEB liability of \$21,724,299 was measured as of December 31, 2024 and was determined by an actuarial valuation as of March 31, 2024. The methodology used to measure the total OPEB liability as of March 31, 2025 reflects current census, contracted benefit and rate information.

(d) Actuarial Assumptions and Other Inputs

The total OPEB liability as of December 31, 2024 measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	3.30%
Discount rate	4.16%
Healthcare cost trend rates	5.30% for 2025

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

(10) Postemployment Benefits Other Than Pensions, Continued

(e) Changes in the Total OPEB Liability

	<u>2025</u>	<u>2024</u>
Total OPEB liability at beginning of year	\$ <u>23,805,947</u>	<u>20,615,662</u>
Changes for the year:		
Service cost	1,434,452	1,398,112
Interest on total OPEB liability	931,471	871,334
Differences between actual and expected experience	(2,455,854)	342,579
Changes in assumptions or other inputs	(1,458,762)	1,077,615
Benefit payments	<u>(532,955)</u>	<u>(499,355)</u>
Total changes	<u>(2,081,648)</u>	<u>3,190,285</u>
Total OPEB liability at end of year	\$ <u>21,724,299</u>	<u>23,805,947</u>

(f) Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16%) or 1-percentage-point higher (4.16%) than the current discount rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total OPEB liability	\$ <u>25,603,607</u>	<u>21,724,299</u>	<u>18,658,626</u>

This analysis represents sensitivity of the OPEB liability as of March 31, 2025.

(g) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Costs Trend Rates

The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a rate that is 1-percentage point lower (4.30% to 2.71%) or 1-percentage point higher (6.30% to 4.71%) than the current health care cost trend rate:

	1% Decrease (4.30% to 2.71%)	Trend Rate (5.30% to 3.71%)	1% Increase (6.30% to 4.71%)
Total OPEB liability	\$ <u>18,335,821</u>	<u>21,724,299</u>	<u>26,092,652</u>

This analysis represents sensitivity of the OPEB liability as of March 31, 2025.

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

Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions, Continued

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

At March 31, 2025 and 2024 the Corporation reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>2025</u>		<u>2024</u>	
	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Difference between actual and expected experience	\$ 7,798,063	2,221,963	9,077,809	17,364
Changes of assumptions or other inputs	876,970	4,654,147	1,104,446	3,791,070
Contributions subsequent to the measurement date	<u>131,775</u>	<u>-</u>	<u>124,497</u>	<u>-</u>
	\$ <u>8,806,808</u>	<u>6,876,110</u>	<u>10,306,752</u>	<u>3,808,434</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending March 31, 2026. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending

2026	\$ 336,226
2027	335,717
2028	335,717
2029	335,717
2030	335,717
Thereafter	<u>89,829</u>
	\$ <u>1,798,923</u>

(11) Pollution Remediation Obligations

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

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

(12) Subsequent Events Evaluation by Management

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

(13) Accounting Standards Issued But Not Yet Implemented

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

Statement No. 102 - Certain Risk Disclosures. Effective for fiscal years beginning after June 15, 2024.

Statement No. 103 - Financial Reporting Model Improvements. Effective for fiscal years beginning after June 15, 2025.

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

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, 2025

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

Notes to schedule:

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

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

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
4.16%	3.77%	4.05%	1.84%	2.00%	2.75%	3.71%

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

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Required Supplementary Information
Schedule of Corporation's Proportionate Share of the Net Pension Asset/Liability
Year ended March 31, 2025

	NYSERS Pension Plan									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportion of the net pension asset (liability)	0.0110799%	0.0128279%	0.0119561%	0.0116641%	0.0151861%	0.0153142%	0.0129755%	0.0121085%	0.0115185%	0.0115841%
Corporation's proportionate share of the net pension asset (liability)	\$ (1,631,416)	(2,750,829)	977,358	(11,614)	(4,021,372)	(1,085,061)	(418,777)	(1,137,738)	(1,848,752)	(391,340)
Corporation's covered payroll	\$ 5,250,505	3,722,811	3,967,303	3,628,079	3,814,468	4,297,080	3,887,580	3,494,884	3,291,106	2,734,022
Corporation's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	31.07%	73.89%	24.64%	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	93.9%	90.7%	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.5%

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, 2025

NYSERS Pension Plan										
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 677,612	409,069	388,251	485,897	461,015	519,417	489,985	459,071	465,927	480,350
Contributions in relation to the contractually required contribution	<u>677,612</u>	<u>409,069</u>	<u>388,251</u>	<u>485,897</u>	<u>461,015</u>	<u>519,417</u>	<u>489,985</u>	<u>459,071</u>	<u>465,927</u>	<u>480,350</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Corporation's covered payroll	\$5,250,505	3,722,811	3,967,303	3,628,079	3,814,468	4,297,080	3,887,580	3,494,884	3,291,106	2,734,022
Contributions as a percentage of covered payroll	12.91%	10.99%	9.79%	13.39%	12.09%	12.09%	12.60%	13.14%	14.16%	17.57%

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Schedule of Operations by Department
Year ended March 31, 2025

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

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Schedule of Operations by Department
Year ended March 31, 2024

	General Fund						Total General Fund	Public Purpose Fund	Capital Fund	Reserved Fund	Total
	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram					
Revenue:											
Residential fees	\$2,516,348	-	-	-	-	-	2,516,348	-	391,958	280,336	3,188,642
Ground rent	9,040,445	-	-	-	-	-	9,040,445	-	383,651	-	9,424,096
Commercial rent	1,341,486	-	-	-	-	-	1,341,486	-	-	-	1,341,486
Tramway revenue	-	-	-	-	-	6,273,357	6,273,357	-	-	-	6,273,357
Public safety reimbursement	-	2,442,219	-	-	-	-	2,442,219	-	-	-	2,442,219
Transportation/parking revenue	-	-	138,423	2,421,860	-	-	2,560,283	-	-	-	2,560,283
Interest income	9,622,644	-	-	-	-	-	9,622,644	-	72,626	267,781	9,963,051
Other revenue	597,144	-	-	-	718,779	-	1,315,923	-	-	-	1,315,923
Total revenue	23,118,067	2,442,219	138,423	2,421,860	718,779	6,273,357	35,112,705	-	848,235	548,117	36,509,057
Expenses:											
Personal services:											
Salaries	5,131,421	3,443,600	1,094,400	-	855,971	-	10,525,392	-	-	-	10,525,392
Temporary employees	181,489	-	-	-	142,674	-	324,163	-	-	-	324,163
Employee benefits	5,872,669	1,491,467	375,172	-	398,195	-	8,137,503	-	-	-	8,137,503
Compensated absences	(197,485)	-	-	-	-	-	(197,485)	-	-	-	(197,485)
Total personal services	10,988,094	4,935,067	1,469,572	-	1,396,840	-	18,789,573	-	-	-	18,789,573
Other than personal services:											
Insurance	4,171,081	-	-	-	-	94,140	4,265,221	-	-	-	4,265,221
Professional services	1,433,233	73,950	-	-	1,153,449	-	2,660,632	-	950	-	2,661,582
Management fees	-	-	-	1,126,112	-	5,272,689	6,398,801	-	-	-	6,398,801
Legal services	1,322,299	-	-	-	-	-	1,322,299	-	-	-	1,322,299
Telecommunications	258,413	-	-	-	-	-	258,413	-	-	-	258,413
Island improvements/capital plan	588,751	-	-	-	-	-	588,751	-	-	-	588,751
Repairs and maintenance	632,773	1,517	25,880	-	25,115	150	685,435	-	-	-	685,435
Vehicles maintenance	43,921	32,238	185,283	-	3,029	-	264,471	-	-	-	264,471
Equipment purchases/lease	173,946	1,400	2,949	-	1,314	5,268	184,877	-	-	-	184,877
Supplies/services	665,142	81,235	78,904	62,621	208,241	204,455	1,300,598	-	-	-	1,300,598
Other expenses	138,811	74,760	1,871	-	224,823	-	440,265	162,508	92	-	602,865
Total other than personal services	9,428,370	265,100	294,887	1,188,733	1,615,971	5,576,702	18,369,763	162,508	1,042	-	18,533,313
Total operating expenses, excluding depreciation	20,416,464	5,200,167	1,764,459	1,188,733	3,012,811	5,576,702	37,159,336	162,508	1,042	-	37,322,886
Operating income (loss) before depreciation	2,701,603	(2,757,948)	(1,626,036)	1,233,127	(2,294,032)	696,655	(2,046,631)	(162,508)	847,193	548,117	(813,829)
Depreciation expense	-	-	-	-	-	-	-	-	(8,376,452)	-	(8,376,452)
Change in net position	\$2,701,603	(2,757,948)	(1,626,036)	1,233,127	(2,294,032)	696,655	(2,046,631)	(162,508)	(7,529,259)	548,117	(9,190,281)

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

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Revenue:				
Residential fees	\$ 7,153,191	5,354,480	1,798,711	34%
Ground rent	10,470,267	7,503,028	2,967,239	40%
Commercial rent	1,799,705	1,773,354	26,351	1%
Tramway revenue	5,487,676	7,083,439	(1,595,763)	(23%)
Public safety reimbursement	2,532,624	2,499,639	32,985	1%
Transport/parking revenue	2,703,147	3,320,052	(616,905)	(19%)
Interest income	10,075,670	9,291,819	783,851	8%
Other revenue	<u>2,974,463</u>	<u>2,329,464</u>	<u>644,999</u>	<u>28%</u>
Total revenue	<u>43,196,743</u>	<u>39,155,275</u>	<u>4,041,468</u>	<u>10%</u>
Expenses:				
Personal services (PS):				
Salaries	10,382,259	11,456,450	1,074,191	9%
Salaries OT	344,860	455,550	110,690	24%
Temporary employees	424,615	30,000	(394,615)	(1315%)
Workers compensation and disability	243,603	159,000	(84,603)	(53%)
ER payroll taxes	960,137	985,513	25,376	3%
Health insurance	2,786,588	2,830,577	43,989	2%
Dental/vision	91,771	63,185	(28,586)	(45%)
Pension	792,844	1,342,751	549,907	41%
Other employee benefits	3,056,508	468,728	(2,587,780)	(552%)
Compensated absences expenses	<u>839,236</u>	<u>-</u>	<u>(839,236)</u>	<u>(100%)</u>
Total personal services (PS)	<u>19,922,421</u>	<u>17,791,754</u>	<u>(2,130,667)</u>	<u>(12%)</u>
Other than personal services (OTPS):				
Insurance	4,915,531	4,899,000	(16,531)	0%
Professional services	2,854,649	2,410,416	(444,233)	(18%)
Marketing/advertising	39,371	71,000	31,629	45%
Management fees	6,834,867	6,362,659	(472,208)	(7%)
Legal services	1,663,544	587,400	(1,076,144)	(183%)
Telecommunications	251,044	157,000	(94,044)	(60%)
Island improvements - capital plan	611,531	601,500	(10,031)	(2%)
Repairs and maintenance	364,478	522,250	157,772	30%
Repairs and maintenance equipment	76,318	55,250	(21,068)	(38%)
Other repairs and maintenance	266,579	361,000	94,421	26%

(Continued)

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

			<u>Favorable (Unfavorable)</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percent</u>
Expenses, Continued:				
Other than personal services (OTPS), continued:				
Vehicles gas	\$ 119,597	77,825	(41,772)	(54%)
Vehicles repair and maintenance	126,473	123,500	(2,973)	(2%)
Vehicles parts	64,351	60,500	(3,851)	(6%)
Equipment lease	66,457	47,800	(18,657)	(39%)
Office equipment purchase	2,484	19,100	16,616	87%
Equipment purchases	79,983	52,000	(27,983)	(54%)
Other equipment purchases	17,082	80,000	62,918	79%
Exterminator	10,356	6,000	(4,356)	(73%)
Uniforms	94,150	75,500	(18,650)	(25%)
Light, power, heat	902,056	868,000	(34,056)	(4%)
Water and sewer	42,079	22,800	(19,279)	(85%)
Office supplies	26,966	27,900	934	3%
Parts and supplies	328,338	247,500	(80,838)	(33%)
Service maintenance agreement	106,239	106,500	261	0%
Employee travel and meal	10,403	2,900	(7,503)	(259%)
Employee training	23,351	107,100	83,749	78%
Shipping	13,918	16,050	2,132	13%
Subscriptions/membership	61,537	36,650	(24,887)	(68%)
Other expenses	218,270	203,900	(14,370)	(7%)
Island events - community relations	<u>160,728</u>	<u>161,000</u>	<u>272</u>	0%
Total other than personal services (OTPS)	<u>20,352,730</u>	<u>18,370,000</u>	<u>(1,982,730)</u>	(11%)
Total expenses	<u>40,275,151</u>	<u>36,161,754</u>	<u>(4,113,397)</u>	(11%)
Operating income before depreciation	2,921,592	2,993,521	(71,929)	(2%)
Depreciation expense	<u>(8,415,409)</u>	<u>(7,598,454)</u>	<u>(816,955)</u>	11%
Net deficit	<u>\$ (5,493,817)</u>	<u>(4,604,933)</u>	<u>(888,884)</u>	19%

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Budget Variance Report
Year ended March 31, 2024

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Revenue:				
Residential fees	\$ 3,188,642	3,930,000	(741,358)	(19%)
Ground rent	9,424,096	15,821,000	(6,396,904)	(40%)
Commercial rent	1,341,486	1,744,000	(402,514)	(23%)
Tramway revenue	6,273,357	4,628,000	1,645,357	36%
Public safety reimbursement	2,442,219	2,424,000	18,219	1%
Transport/parking revenue	2,560,283	3,313,000	(752,717)	(23%)
Interest income	9,963,051	300,000	9,663,051	3221%
Other revenue	<u>1,315,923</u>	<u>2,120,000</u>	<u>(804,077)</u>	<u>(38%)</u>
Total revenue	<u>36,509,057</u>	<u>34,280,000</u>	<u>2,229,057</u>	<u>7%</u>
Expenses:				
Personal services (PS):				
Salaries	10,071,554	10,957,338	885,784	8%
Salaries OT	453,838	249,150	(204,688)	(82%)
Temporary employees	324,163	30,000	(294,163)	(981%)
Workers compensation and disability	286,376	240,000	(46,376)	(19%)
ER payroll taxes	961,081	945,229	(15,852)	(2%)
Health insurance	2,556,217	3,251,695	695,478	21%
Dental/vision	67,660	92,563	24,903	27%
Pension	1,078,733	1,300,282	221,549	17%
Other employee benefits	3,187,436	483,624	(2,703,812)	(559%)
Compensated absences expenses	<u>(197,485)</u>	<u>-</u>	<u>197,485</u>	<u>(100%)</u>
Total personal services (PS)	<u>18,789,573</u>	<u>17,549,881</u>	<u>(1,239,692)</u>	<u>(7%)</u>
Other than personal services (OTPS):				
Insurance	4,265,221	3,990,000	(275,221)	(7%)
Professional services	2,575,577	2,012,600	(562,977)	(28%)
Marketing/advertising	86,005	87,000	995	1%
Management fees	6,398,801	5,839,000	(559,801)	(10%)
Legal services	1,322,299	598,621	(723,678)	(121%)
Telecommunications	258,413	155,000	(103,413)	(67%)
Island improvements - capital plan	588,751	601,800	13,049	2%
Repairs and maintenance	382,608	391,750	9,142	2%
Repairs and maintenance equipment	70,850	47,250	(23,600)	(50%)
Other repairs and maintenance	231,977	355,000	123,023	35%

(Continued)

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

			<u>Favorable (Unfavorable)</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percent</u>
Expenses, Continued:				
Other than personal services (OTPS), continued:				
Vehicles gas	\$ 152,154	74,575	(77,579)	(104%)
Vehicles repair and maintenance	77,798	133,500	55,702	42%
Vehicles parts	34,519	64,500	29,981	46%
Equipment lease	81,979	51,500	(30,479)	(59%)
Office equipment purchase	16,946	25,600	8,654	34%
Equipment purchases	65,680	63,500	(2,180)	(3%)
Other equipment purchases	20,272	75,000	54,728	73%
Exterminator	17,535	9,800	(7,735)	(79%)
Uniforms	81,869	86,850	4,981	6%
Light, power, heat	691,098	723,000	31,902	4%
Water and sewer	41,669	25,300	(16,369)	(65%)
Office supplies	45,652	28,950	(16,702)	(58%)
Parts and supplies	334,771	265,000	(69,771)	(26%)
Service maintenance agreement	88,004	185,500	97,496	53%
Employee travel and meal	1,187	5,150	3,963	77%
Employee training	59,207	102,585	43,378	42%
Shipping	16,958	13,300	(3,658)	(28%)
Subscriptions/membership	52,807	35,600	(17,207)	(48%)
Other expenses	235,189	228,500	(6,689)	(3%)
Island events - community relations	<u>237,517</u>	<u>149,000</u>	<u>(88,517)</u>	<u>(59%)</u>
Total other than personal services (OTPS)	<u>18,533,313</u>	<u>16,424,731</u>	<u>(2,108,582)</u>	<u>(13%)</u>
Total expenses	<u>37,322,886</u>	<u>33,974,612</u>	<u>(3,348,274)</u>	<u>(10%)</u>
Operating income before depreciation	(813,829)	305,388	(1,119,217)	(366%)
Depreciation expense	<u>(8,376,452)</u>	<u>(7,377,140)</u>	<u>(999,312)</u>	14%
Net deficit	<u>\$ (9,190,281)</u>	<u>(7,071,752)</u>	<u>(2,118,529)</u>	30%

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, 2025, and the related notes to financial statements, which collectively comprise RIOC's basic financial statements, and have issued our report thereon dated June 23, 2025.

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 23, 2025