

THE TRUST FOR GOVERNORS ISLAND

**GOVERNORS ISLAND CORPORATION
(D/B/A THE TRUST FOR
GOVERNORS ISLAND)**

A COMPONENT UNIT OF THE CITY OF NEW YORK

**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended June 30, 2019 and 2018

MARKS PANETH

ACCOUNTANTS & ADVISORS

**GOVERNORS ISLAND CORPORATION
(d/b/a THE TRUST FOR GOVERNORS ISLAND)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)**

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Governors Island Corporation (d/b/a The Trust for Governors Island)

We have audited the accompanying financial statements of Governors Island Corporation (d/b/a The Trust for Governors Island) ("TGI"), a component unit of The City of New York, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise TGI's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Governors Island Corporation (d/b/a The Trust for Governors Island) as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.



New York, NY
September 27, 2019

GOVERNORS ISLAND CORPORATION
(d/b/a THE TRUST FOR GOVERNORS ISLAND)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018 (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the Governors Island Corporation, d/b/a The Trust for Governors Island ("TGI"), a component unit of The City of New York (the "City"), for the years ended June 30, 2019 and 2018. It should be read in conjunction with TGI's financial statements and accompanying notes.

The financial statements consist of two parts: management's discussion and analysis (this section) and the financial statements. The basic financial statements, which include the statements of net position, the statements of revenues, expenses and changes in net position, the statements of cash flows and the notes to the financial statements, are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as prescribed by the Governmental Accounting Standards Board ("GASB"). The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, in which revenues are recognized in the period they are earned, and expenses are recognized in the period they are incurred.

Organization Overview

TGI is the 501(c)(3) not-for-profit organization created by The City of New York, charged with the planning, preservation, redevelopment, and ongoing operations and maintenance of approximately 150 acres of Governors Island (the "Island") plus surrounding lands underwater, located in New York Harbor, in the Borough of Manhattan in the City. The remaining 22 acres of the Island were in 2003 declared the Governors Island National Monument and are overseen by the National Park Service. TGI is a New York State not-for-profit corporation, governed by a 13-member board of directors appointed by the Mayor of The City of New York and nominated by the Mayor, the Governor of the State of New York, and local elected officials.

TGI's mission is to transform Governors Island into a vibrant year-round resource for New York City, making the Island a destination with extraordinary public open space, diverse cultural and recreational activities, and permanent educational, not-for-profit and commercial facilities.

To further its mission, TGI launched an ambitious capital program in 2012 to build new park and public spaces and bring the Island's infrastructure into the 21st century. The first phase of the Park and Public Space project opened in 2014 with 30 new acres of park on the Island's southern end. The Hills, Phase two of the park plan, opened in July 2016 and consist of four hills of varying height and design, offering unparalleled views of the harbor and additional recreational opportunities to visitors. Capital investment also brought potable water to the Island, upgraded its electrical system, stabilized historic buildings, rebuilt the seawall and improved ferry operations at the docks on-Island and at the Battery Maritime Building in Manhattan.

During months the Island is open to the public, over two dozen historic houses on the Island become temporary homes to arts, culture, science and education organizations from across the New York area offering a diverse array of free programs. Also, during the public access season, organizations stage events on Governors Island including art fairs, science symposiums, cultural celebrations, live performances, film screenings, and sporting events. In 2017, TGI extended its public access season to six months from four so that more visitors could take advantage of all the Island has to offer.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS

Current and Noncurrent Assets

As of June 30, 2019, TGI had current assets of \$13,344,788 consisting of cash and cash equivalents of \$10,831,393, accounts and grants receivable of \$1,549,422, short-term investments of \$947,959, and prepaid expenses of \$16,014. These are presented below in greater detail and in comparison to prior years.

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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

	2019	2018	2017	Variance (%)	
				2019 vs 2018 (%)	2018 vs 2017 (%)
Current Assets					
Cash and cash equivalents	\$ 6,162,805	\$ 2,882,401	\$ 6,102,240	114%	-53%
Restricted cash and cash equivalents	4,668,588	4,731,880	7,422,415	-1%	-36%
Accounts receivable	760,227	875,109	791,175	-13%	11%
Grants and contributions receivable from government sources	789,195	4,192,082	1,319,575	-81%	218%
Grants and contributions receivable from private sources	-	25,000	75,000	-100%	-67%
Short-term investments	947,959	1,799,607	-	-47%	100%
Prepaid expenses	16,014	23,733	5,692	-33%	317%
Total current assets	\$ 13,344,788	\$ 14,529,812	\$ 15,716,097	-8%	-8%

As of June 30, 2019, grants and contributions receivable from government sources consist of capital project funds due from the City. As of June 30, 2018, the amount receivable from government sources consisted of operating funds due from the City.

Over the past many years TGI raised funds for several programs – construction of the Hills, development of Art Commissions GI, operation of Open House GI, and general operations. In the year ended June 30, 2019, grants and contributions receivable from private sources totaled \$0. In the year ended June 30, 2018, grants and contributions receivable from private sources totaled \$25,000.

Noncurrent Assets

The following chart shows TGI's noncurrent (i.e., capital) assets for the years ended June 30, 2019, 2018 and 2017.

Capital Assets Summary	2019	2018	2017
Beginning Balance	\$ 339,479,574	\$ 341,763,109	\$ 342,451,315
Additions (Net of Depreciation)	(4,371,552)	(2,283,535)	(688,206)
Ending Balance	\$ 335,108,022	\$ 339,479,574	\$ 341,763,109

TGI's capital assets are comprised of property transferred in July 2010 from the Governors Island Preservation and Education Corporation ("GIPEC"), TGI's predecessor, as well as improvements made since then. Capital assets transferred to TGI consist of title to 150 acres of Governors Island, vessels, vehicles and other equipment then valued at \$5,780,000 in total. For the year ended June 30, 2019, \$12,928,206 was transferred from construction in progress to assets completed and in use, including the new passenger ferry.

Capital expenses of \$15,780,215 were incurred during the year ended June 30, 2019. Capital expenses of \$17,423,171 and \$16,320,490 were incurred during the years ended June 30, 2018 and 2017, respectively. These are presented in greater detail in Note 4. Capital expenses were funded primarily by government grants.

As of June 30, 2019, total noncurrent assets consisted of capital assets, net of accumulated depreciation, of \$335,108,022 (\$418,675,966 less \$83,567,944 accumulated depreciation) and restricted cash - security deposits/restricted grants of \$447,314. Net additions to capital assets (based on construction in progress) represent a 1.28% decrease from the \$339,479,574 balance as of June 30, 2018. Net additions to capital assets in fiscal year 2018 represented a 0.67% decrease over the \$341,763,109 balance as of June 30, 2017.

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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

Total assets as of June 30, 2019, were \$348,900,124, a decrease of 1.64% over fiscal year 2018 based on lower receivables from government sources and greater depreciation of capital assets. Total assets as of June 30, 2018, were \$354,731,372, a decrease of 0.99% over the prior year.

Current and Noncurrent Liabilities

Current liabilities of \$9,331,921 were recorded as of June 30, 2019, a decrease of 7.69% from the prior year. These are attributed to payable and accrued expenses for facilities and construction management services as well as capital project expenses. The decrease in unearned revenue (i.e., grants and contributions received in advance) is due to the recognition of revenue for the Open House GI grant.

In the prior year, liabilities of \$10,109,603 were also based on payable and accrued expenses for facilities and construction management services as well as capital project expenses. The decrease in unearned revenue was due to the recognition of revenue for State funded projects.

	2019	2018	2017	Variance (%)	
				2019 vs 2018	2018 vs 2017
Current Liabilities					
Accounts payable and accrued expenses					
Operations	\$ 3,420,341	\$ 4,461,715	\$ 3,551,401		
Private grants	8,994	4,306	2,504,002		
City capital	3,485,021	3,144,056	2,158,216		
State capital	2,159	-	-		
Total accounts payable and accrued expenses	6,916,515	7,610,077	8,213,619	-9%	-7%
Unearned revenue					
Operations	659,587	2,499,526	369,898		
Private grants	1,755,819	-	1,652,788		
State capital	-	-	3,594,482		
Total unearned revenue	2,415,406	2,499,526	5,617,168	-3%	-56%
Total current liabilities	9,331,921	10,109,603	13,830,787	-8%	-27%
Noncurrent Liabilities					
Security deposits	446,306	471,639	792,539		
Total noncurrent liabilities	446,306	471,639	792,539	-5%	-40%
TOTAL LIABILITIES	\$ 9,778,227	\$ 10,581,242	\$ 14,623,326	-8%	-28%

Noncurrent liabilities consist of \$446,306 in security deposits. Noncurrent liabilities in the prior year consisted of security deposits of \$471,639. As of June 30, 2019 and 2018, TGI's total liabilities were \$9,778,227 and \$10,581,242, respectively.

Net Position

Net position as of June 30, 2019 was \$339,121,897; \$335,108,022 was invested in capital assets and \$4,013,875 was unrestricted. The overall decrease of 1.46% in net position represents TGI's ongoing capital program and the impact of accumulated depreciation of completed projects.

Net position as of June 30, 2018 was \$344,150,130, of which \$339,479,574 was invested in capital assets and \$4,670,556 was unrestricted. TGI's 2018 net position represented an increase of 0.15% over 2017.

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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

Operating Revenues

For the year ended June 30, 2019, TGI's total operating revenues of \$20,290,993 consisted of \$3,326,539 in fee income, \$992,922 in rental income and \$15,971,532 in operating grants and contributions from the City. Income from events held on the Island during public access season includes site and permit fees as well as reimbursement to TGI for expenses related to staging those events. It also includes public access season ferry fare revenue, amounting to \$554,352 in fiscal year 2019. Rental income consists of lease payments from QC Terme, the developer of the day spa project (Buildings 111, 112 and 114), and common charges from the Lower Manhattan Cultural Council (LMCC), which hosts an artists' studio program on the Island (Building 110).

For the year ended June 30, 2018, TGI's total operating revenue of \$20,345,393 consisted of \$3,377,400 in fee income (from site and permit fees, event-related reimbursements, and ferry fare collection), \$296,514 in rental income, and \$16,671,479 in operating grants and contributions from the City.

	2019	2018	2017	Variance (%)	
				2019 vs. 2018	2018 vs. 2017
OPERATING REVENUES:					
Permits and other fees	\$ 3,326,539	\$ 3,377,400	\$ 2,379,608	-2%	42%
Rental income	992,922	296,514	-	235%	100%
Operating grants and contributions	<u>15,971,532</u>	<u>16,671,479</u>	<u>17,399,383</u>	-4%	-4%
	<u>\$ 20,290,993</u>	<u>\$ 20,345,393</u>	<u>\$ 19,778,991</u>	0%	3%

Operating Expenses

Total operating expenses of \$42,000,369 for the year ended June 30, 2019, include TGI's facilities management contract with LiRo Program and Construction Management ("LiRo") of \$14,302,246, as well as TGI's internal expenses.

	2019	2018	2017	Variance (%)	
				2019 vs. 2018	2018 vs. 2017
OPERATING EXPENSES:					
Facilities management contract	\$ 14,302,246	\$ 15,577,587	\$ 13,339,257	-8%	17%
Personnel costs	4,427,139	3,795,459	2,845,893	17%	33%
Utilities	629,249	452,520	615,018	39%	-26%
Depreciation and amortization	20,243,193	19,889,154	17,643,838	2%	13%
Other general and administrative expenses	<u>2,398,542</u>	<u>2,031,283</u>	<u>733,684</u>	18%	177%
TOTAL OPERATING EXPENSES	<u>\$ 42,000,369</u>	<u>\$ 41,746,003</u>	<u>\$ 35,177,690</u>	1%	19%
OPERATING LOSS	<u>\$ (21,709,376)</u>	<u>\$ (21,400,610)</u>	<u>\$ (15,398,699)</u>	1%	39%

Operating loss was (\$21,709,376) for the year ended June 30, 2019 and (\$21,400,610) for the year ended June 30, 2018. A significant portion of TGI's 2019 year-end operating loss is comprised of depreciation (\$20.2 million). This also accounts for the increase over the year ended June 30, 2018, in which depreciation was \$19.9 million.

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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

The facilities management contract, representing 34% of total operating expenses (66% excluding depreciation expense), covers the cost of LiRo staff working on daily Island operations as well as all the subcontractors who provide services: ferry, security, grounds keeping, janitorial and repairs, among others. TGI personnel costs were \$4,427,139, an increase of 17% from 2018, based in part on new full time positions replacing formerly seasonal roles. The 39% increase in utilities between 2019 and 2018 is based on billing by the Department of Citywide Administrative Services, which is responsible for TGI's electricity account. Other general and administrative expenses were \$2,398,542, an increase of 18%. This increase reflects consultants' work on the South Island planning and environmental studies undertaken in fiscal year 2019.

In the prior year, notable operating expenses included personnel costs of \$3,795,459, an increase of 33% from 2017. Other general and administrative expenses were \$2,031,283, an increase of 177%, which includes spending under the Art Commissions GI and Open House GI programs, and the South Island planning and environmental studies.

Nonoperating Revenues

Nonoperating revenues totaled \$16,681,143, \$21,901,917 and \$25,067,238 for the years ended June 30, 2019, 2018 and 2017, respectively. The decrease in grants and contributions represents the completion or near-completion of projects within TGI's Island-wide capital program. Other income in 2019 and 2018 is mostly comprised of a settlement with capital construction and construction management contractors. Details are provided below.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Variance (%)</u>	
				<u>2019 vs.</u>	<u>2018 vs.</u>
				<u>2018</u>	<u>2017</u>
NONOPERATING REVENUES:					
Capital grants and contributions					
from government sources	\$ 15,226,393	\$ 20,101,395	\$ 19,793,499	-24%	2%
Capital grants and contributions from					
private sources	815,699	859,369	4,879,612	-5%	-82%
Investment (loss) income	(3,162)	14,961	-	-121%	100%
Other interest income	18,730	8,195	6,995	129%	17%
Other income	623,483	917,997	387,132	-32%	137%
	<u>\$ 16,681,143</u>	<u>\$ 21,901,917</u>	<u>\$ 25,067,238</u>	-24%	-13%
Change in net position	\$ (5,028,233)	\$ 501,307	\$ 9,668,539	-1103%	-95%
Net position - beginning of year	<u>344,150,130</u>	<u>343,648,823</u>	<u>333,980,284</u>	0%	3%
Net position - end of year	<u>\$ 339,121,897</u>	<u>\$ 344,150,130</u>	<u>\$343,648,823</u>	-1%	0%

Related Issues

Expenses were incurred during the years ended June 30, 2014 and 2013, due to the damage caused by Hurricane Sandy. While emergency recovery measures are complete, permanent restoration and future mitigation work continues. TGI received \$693,262 in Federal Emergency Management Agency ("FEMA") funds in the year ended June 30, 2017, for work completed under the federal categories debris removal and emergency repairs. TGI received \$1,132,186 in FTA Emergency Relief Grant funds in the year ended June 30, 2015, and \$100,665 in the year ended June 30, 2017, which covered repair and restoration costs associated with transit facilities. Work included the Battery Maritime Building waiting room and air conditioning system, ferry lift bridges, provision of alternate ferry service, and coverage for the ferry crew.

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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

For non-emergency, non-essential work – meaning not essential to day-to-day operations – TGI continues to work with FEMA and the New York City Office of Management and Budget on project review, approval and funding. A FEMA-funded project started in fiscal year 2018 is ongoing, the South Island Electrical Conduit, which had been inundated during the storm. One FEMA-funded project was completed in fiscal year 2017, namely the replacement of Building 110's heating system. Total funding for all projects is currently estimated to be \$11.97 million.

TGI Financial Management

This financial report is designed to provide a general overview of TGI's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to The Trust for Governors Island, 10 South Street, New York, NY 10004.

GOVERNORS ISLAND CORPORATION
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STATEMENTS OF NET POSITION
AS OF JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents (Notes 2D and 7)	\$ 6,162,805	\$ 2,882,401
Restricted cash and cash equivalents (Notes 2D, 2E and 7)	4,668,588	4,731,880
Accounts receivable	760,227	875,109
Grants and contributions receivable from government sources	789,195	4,192,082
Grants and contributions receivable from private sources	-	25,000
Short-term investments (Notes 2E, 2F and 3)	947,959	1,799,607
Prepaid expenses	16,014	23,733
Total current assets	<u>13,344,788</u>	<u>14,529,812</u>
Noncurrent assets		
Restricted cash - security deposits	447,314	721,986
Capital assets, net of accumulated depreciation (Notes 2G and 4)	<u>335,108,022</u>	<u>339,479,574</u>
Total noncurrent assets	<u>335,555,336</u>	<u>340,201,560</u>
Total assets	<u>\$ 348,900,124</u>	<u>\$ 354,731,372</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 6,916,515	\$ 7,610,077
Unearned revenue	<u>2,415,406</u>	<u>2,499,526</u>
Total current liabilities	<u>9,331,921</u>	<u>10,109,603</u>
Noncurrent liabilities		
Security deposits	<u>446,306</u>	<u>471,639</u>
Total noncurrent liabilities	<u>446,306</u>	<u>471,639</u>
Total liabilities	<u>9,778,227</u>	<u>10,581,242</u>
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET POSITION (Note 2H)		
Invested in capital assets	335,108,022	339,479,574
Unrestricted	<u>4,013,875</u>	<u>4,670,556</u>
Total net position	<u>339,121,897</u>	<u>344,150,130</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 348,900,124</u>	<u>\$ 354,731,372</u>

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

GOVERNORS ISLAND CORPORATION
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Permits and other fees	\$ 3,326,539	\$ 3,377,400
Rental income (Note 8)	992,922	296,514
Operating grants and contributions (Notes 2C and 5)	<u>15,971,532</u>	<u>16,671,479</u>
TOTAL OPERATING REVENUES	<u>20,290,993</u>	<u>20,345,393</u>
OPERATING EXPENSES:		
Facilities management contract (Note 9C)	14,302,246	15,577,587
Personnel costs (Note 6)	4,427,139	3,795,459
Utilities	629,249	452,520
Depreciation and amortization	20,243,193	19,889,154
Other general and administrative expenses	<u>2,398,542</u>	<u>2,031,283</u>
TOTAL OPERATING EXPENSES	<u>42,000,369</u>	<u>41,746,003</u>
OPERATING LOSS	<u>(21,709,376)</u>	<u>(21,400,610)</u>
NONOPERATING REVENUES:		
Capital grants and contributions from government sources (Notes 2C and 5)	15,226,393	20,101,395
Capital grants and contributions from private sources (Notes 2C and 9C)	815,699	859,369
Investment (loss) income	(3,162)	14,961
Other interest income	18,730	8,195
Other income	<u>623,483</u>	<u>917,997</u>
TOTAL NONOPERATING REVENUES	<u>16,681,143</u>	<u>21,901,917</u>
CHANGE IN NET POSITION	(5,028,233)	501,307
Net position, beginning of year	<u>344,150,130</u>	<u>343,648,823</u>
NET POSITION, END OF YEAR	<u>\$ 339,121,897</u>	<u>\$ 344,150,130</u>

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

GOVERNORS ISLAND CORPORATION
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from:		
Customer payments	\$ 4,434,343	\$ 3,589,980
Operating grants and contributions	<u>15,921,425</u>	<u>17,011,275</u>
Total cash receipts from operating activities	<u>20,355,768</u>	<u>20,601,255</u>
Cash payments for:		
Personnel costs	(4,334,343)	(3,745,174)
Services and supplies	<u>(19,049,069)</u>	<u>(17,219,403)</u>
Total cash payments for operating activities	<u>(23,383,412)</u>	<u>(20,964,577)</u>
Net Cash (Used in) Provided by Operating Activities	<u>(3,027,644)</u>	<u>(363,322)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments from lessees - security deposits	(25,333)	(320,900)
Other receipts	<u>623,483</u>	<u>917,997</u>
Net Cash Provided by Noncapital Financing Activities	<u>598,150</u>	<u>597,097</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and contributions from government sources	18,595,267	13,771,450
Capital grants and contributions from private sources	840,699	909,369
Capital asset expenditures	<u>(14,931,248)</u>	<u>(19,119,474)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>4,504,718</u>	<u>(4,438,655)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales (Purchases) of investments	815,937	(1,812,727)
Interest received	<u>51,279</u>	<u>36,276</u>
Net Cash Provided by (Used in) Investing Activities	<u>867,216</u>	<u>(1,776,451)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,942,440	(5,981,331)
Cash and cash equivalents - beginning of year	<u>8,336,267</u>	<u>14,317,598</u>
CASH AND CASH EQUIVALENTS—END OF YEAR	<u>\$ 11,278,707</u>	<u>\$ 8,336,267</u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (21,709,376)	\$ (21,400,610)
Adjustments to reconcile operating loss to cash flows (used in) provided by operating activities:		
Depreciation and amortization	20,243,193	19,889,154
Changes in operating assets and liabilities:		
Accounts receivable	114,882	(83,934)
Prepaid expenses	7,719	(18,041)
Accounts payable and accrued expenses	(1,633,955)	910,313
Unearned revenue	<u>(50,107)</u>	<u>339,796</u>
Net Cash Used in Operating Activities	<u>\$ (3,027,644)</u>	<u>\$ (363,322)</u>
RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:		
Unrestricted cash and cash equivalents	\$ 6,162,805	\$ 2,882,401
Restricted cash and cash equivalents	<u>5,115,902</u>	<u>5,453,866</u>
CASH AND CASH EQUIVALENTS—END OF YEAR	<u>\$ 11,278,707</u>	<u>\$ 8,336,267</u>
Supplemental Disclosure of Cash Flow Information:		
Noncash capital and related financing transactions:		
Accrued capital asset expenditures	<u>\$ 2,390,040</u>	<u>\$ 3,148,362</u>

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

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NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Governors Island Corporation, d/b/a The Trust for Governors Island (“TGI”), was incorporated in July 2010 pursuant to the Not-for-Profit Corporation Law of the State of New York (the “State”) and is a public charity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. TGI was formed for the purposes of lessening the burdens of government for The City of New York (the “City”) and acting in the public interest by providing the planning, preservation, redevelopment and ongoing operations and maintenance of approximately 150 acres of Governors Island (out of 172 acres) plus surrounding lands underwater, located in the Borough of Manhattan in the City (the “Project”).

TGI’s mission is to transform Governors Island (the “Island”) into a vibrant year-round resource for the City, making the Island a destination with expansive public open space and diverse cultural and recreational activities, as well as permanent educational, not-for-profit and commercial facilities. TGI opened 30 acres of new park spaces in 2014, added the 11-acre Hills in 2016, completed major infrastructure improvements and continues to ready the Island for expanded tenancy and activity. In advancing such purposes, TGI is performing an essential government function in partnership with the City. TGI receives funding from the City, and is governed by a 13-member board of directors appointed by the Mayor of the City and nominated by the Mayor, the Governor of the State of New York and local elected officials.

TGI acquired the Project area and substantially all of the assets of the Governors Island Preservation and Education Corporation (“GIPEC”), a subsidiary of the New York State Urban Development Corporation (a corporate governmental agency of the State constituting a political subdivision and public benefit corporation doing business as the Empire State Development Corporation), for a nominal price of \$1 under the Asset Purchase Agreement dated July 14, 2010, between GIPEC and TGI. The Governors Island property acquired by TGI from GIPEC is subject to the restrictions, conditions, covenants and easements associated with the property, such as certain acreage required to be converted to public open space and other historic areas prohibited from new development.

For financial reporting purposes, TGI is included as a component unit in the City’s comprehensive annual financial report pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, as amended.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Measurement Focus and Basis of Accounting*

TGI’s financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period they are earned, and expenses are recognized in the period they are incurred. Operating funds provided by the City are recognized as revenue when received.

In its accounting and financial reporting, TGI follows accounting principles generally accepted in the United States of America (“U.S. GAAP”) as promulgated by the GASB.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Revenue and Expense Classification*

TGI distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. The principal operating revenues include permits and other fees and operating grants and contributions from the City. Major operating expenses include facilities management costs, personnel costs and professional fees.

C. *Grants and Contributions*

Operating funds provided by the City are recognized as revenue when received. Capital funds provided by the City for eligible project costs, pursuant to the master contract with the City, are recognized following approval of a certificate to proceed for each capital project by the NYC Office of Management and Budget, registration of contracts with the NYC Comptroller's Office and processing of payment requests by the NYC Department of Small Business Services.

Contributions from donors that are restricted to specific purposes are recorded as unearned revenue until expenses are incurred, at which point the revenue is recognized.

TGI records contributions of cash and other assets from private donors upon receipt when an unconditional promise to give is received from a donor with no purpose restrictions.

D. *Cash and Cash Equivalents*

For purposes of the statements of cash flows, cash and cash equivalents include cash in banks and on hand, certificates of deposit and highly liquid debt instruments with maturities of three months or less when acquired.

E. *Restricted Cash and Investments*

Contributions and other non-exchange transactions as defined under GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, with purpose restrictions are reported in the resulting net position as restricted until the resources are used for the specified purpose.

Restricted assets consist of cash and cash equivalents and investments held and to be used for eligible project costs pursuant to funding agreements with the City, the State and other funding sources. Accordingly, such amounts are not available for general corporate purposes.

F. *Investments and Fair Value Measurements*

Investments are reported at fair value based on quoted market value. Securities transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are determined on a specific identification basis and are included in investment (loss) income in the accompanying statements of revenues, expenses and changes in net position. Interest income is recognized when earned.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 3.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

Costs incurred by TGI in developing the Project are capitalized as project assets and are recorded at cost. The costs of normal maintenance of the Project that do not increase its value or extend its useful life are not capitalized. Upon projects being placed in service, site improvement costs are reclassified from construction in progress and amortized over the estimated useful lives of the assets.

Other property and equipment purchased for use in operations by TGI in excess of \$10,000 is capitalized and depreciated using the straight-line method over the estimated useful life assigned.

The estimated useful lives of depreciable capital assets are as follows:

Site improvements	10 to 30 years
Building and improvements	15 years
Vehicles and equipment	3 to 5 years

H. Net Position

TGI's net position is classified in the following categories: invested in capital assets, net of accumulated depreciation; restricted net position, consisting of net position restricted for specific purposes by law or parties external to TGI; and unrestricted net position, consisting of net position that is not classified as invested in capital assets or restricted for capital projects.

When both restricted and unrestricted resources are available for use, it is TGI's policy to use restricted resources first, and then unrestricted resources, as needed.

Restricted net position represents restricted assets reduced by the liabilities related to those assets. A liability is related to a restricted asset when the asset results from incurring that liability or if the liability will be liquidated with the restricted asset. If the liabilities relating to the restricted assets are greater than those assets, then no balance is reported as restricted net position. Such negative amount would be reported as a reduction to unrestricted net position.

I. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Estimates include reserves for doubtful accounts, depreciation, and other postemployment benefits. Actual results could differ from those estimates.

J. Recent Accounting Pronouncements

As a component unit of the City, TGI implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards which may impact TGI in the future years.

- In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, ("GASB 83"). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The adoption of GASB 83 did not have an impact on TGI's financial statements as it has no such obligations.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, (“GASB 84”). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. TGI has not completed the process of evaluating GASB 84, but does not expect it to have an impact on TGI’s financial statements, as it does not enter in fiduciary activities.
- In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, (“GASB 85”). The objective of GASB 85 is to address practice issues that have been identified during implementation and application of certain GASB statements. The requirements of GASB 85 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB 85 did not have an impact on TGI’s financial statements.
- In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, (“GASB 86”). The primary objective of GASB 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets are acquired with only existing resources – resources other than the proceeds of refunding debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The requirements of GASB 86 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB 86 did not have an impact on TGI’s financial statements.
- In June 2017, GASB issued Statement No. 87, *Leases*, (“GASB 87”). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. TGI has not completed the process of evaluating GASB 87.
- In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, (“GASB 88”). The objective of GASB 88 is to improve consistency in the information that is disclosed in notes to government financial statements related to debt by defining debt for the purpose of note disclosure and establishes additional note disclosure requirements related to debt obligations of governments, including direct borrowing and direct placements. The requirements of GASB 88 are effective for fiscal years beginning after June 15, 2018. The adoption of GASB 88 did not have an impact on TGI’s financial statements.
- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, (“GASB 89”). The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for certain interest costs by requiring interest costs incurred before the end of a construction period to be recognized as an expense/expenditure in governmental fund and government-wide financial statements. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2019. TGI has not completed the process of evaluating GASB 89, but does not expect it to have an impact on TGI’s financial statements as it does not previously capitalize interest costs.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In August 2018, GASB issued Statement No. 90, Majority Equity Interests – An Amendments of GASB Statements No. 14 and No. 61, (“GASB 90”). The objectives of GASB 90 are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB 90 is not expected to have an impact on TGI’s financial statements.
- In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. Conduit debt obligations are debt instruments issued by state and local governments to provide financing for a third party, which is primarily liable for repaying the debt instrument. GASB 91 updates Interpretation No. 2, “Disclosure of Conduit Debt Obligations,” which allowed for variations with the option for government issuers to either recognize conduit debt obligations as their own debt or to disclose them. GASB 91 addresses variation in practice by clarifying exactly what a conduit debt obligation is and eliminating the option for government issuers to recognize conduit debt obligations, thereby providing a single method of reporting. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2020. GASB 91 is not expected to have an impact on TGI’s financial statements.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

TGI’s investments consisted of the following at June 30, 2019, and were classified as Level 1 in the fair value hierarchy (as defined below) as follows:

Mutual Funds	\$ 212,266
Certificates of Deposit	735,693
	\$ 947,959

TGI’s investment policy permits the investment of funds as summarized below:

- Obligations of the U.S. Treasury and other Federal Agency obligations.
- Commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Investors Service, Inc. or Fitch.
- Bankers’ acceptances and time deposits of banks with worldwide assets in excess of \$50 million.
- Certificates of deposit with New York banks. Such certificates of deposit must be Federal Deposit Insurance Corporation (“FDIC”) insured, except when otherwise collateralized.
- High quality equity securities traded on the New York, NASDAQ or American Stock exchanges as well as mutual funds.
- Other investments approved by the Comptroller of the City for the investment of City funds.

In addition to the above investments, TGI may deposit funds in the following, with respect to funds needed for operational expenses and funds awaiting investment or disbursement:

- Money market mutual funds that restrict their investments to short-term, highly rated money market instruments.
- Other interest-bearing accounts if permitted by applicable laws, rules and regulations, with New York City financial institutions designated by the New York City Banking Commission.

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

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NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

In determining fair value, TGI utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money market funds, certificates of deposit, exchange-traded funds and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, TGI may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are registered and are held by TGI's agent in TGI's name.

Credit Risk

All investments held by TGI at June 30, 2019 are invested in certificates of deposits with New York Banks which are FDIC insured, and fixed-income mutual funds. Average duration for the two fixed-income mutual funds is less than two years.

Interest Rate Risk

TGI's short-term investments are subject to minimal risk of fair value declines due to changes in market interest rates. Investments with longer terms are expected to be held until maturity thereby limiting the exposure from rising interest rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of TGI's investments in a single issuer (5% or more). TGI's investment policy places no limits on the amount TGI may invest in any one issuer of eligible investments as defined in the investment policy. As of June 30, 2019, 22% consists of fixed-income mutual funds, and 78% consist of certificates of deposit with New York Banks.

NOTE 4 – CAPITAL ASSETS

The changes in capital assets for the years ended June 30, 2019 and 2018 reflect the transition from a high point of construction activity on the Island. Projects completed and put in service, or opened to the public, have been added to the asset list.

The changes in capital assets for the year ended June 30, 2019 were as follows:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Land	\$ 1	\$ -	\$ -	\$ 1
Site Improvements	359,737,191	1,394,850	-	361,132,041
Vessels	5,679,209	11,050,398	-	16,729,607
Equipment	1,551,207	540,301	-	2,091,508
Vehicles	515,224	34,083	-	549,307
Software	6,230	-	-	6,230
Total Project Assets	<u>367,489,062</u>	<u>13,019,632</u>	<u>-</u>	<u>380,508,694</u>
Less: Accumulated Depreciation				
Site Improvements	(59,339,087)	(19,406,290)	-	(78,745,377)
Vessels	(2,593,451)	(602,094)	-	(3,195,545)

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NOTE 4 – CAPITAL ASSETS (Continued)

Equipment	(1,059,143)	(175,227)	-	(1,234,370)
Vehicles	(326,840)	(59,582)	-	(386,422)
Software	(6,230)	-	-	(6,230)
Total Accumulated Depreciation	<u>(63,324,751)</u>	<u>(20,243,193)</u>	-	<u>(83,567,944)</u>
Construction in Progress	35,315,263	15,780,215	(12,928,206)	38,167,272
Net Project Assets	<u>\$ 339,479,574</u>	<u>\$ 8,556,654</u>	<u>\$ (12,928,206)</u>	<u>\$ 335,108,022</u>

The changes in capital assets for the year ended June 30, 2018 were as follows:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Land	\$ 1	\$ -	\$ -	\$ 1
Site Improvements	344,202,857	15,534,334	-	359,737,191
Vessels	5,425,815	253,394	-	5,679,209
Equipment	1,368,759	182,448	-	1,551,207
Vehicles	515,224	-	-	515,224
Software	6,230	-	-	6,230
Total Project Assets	<u>351,518,886</u>	<u>15,970,176</u>	<u>-</u>	<u>367,489,062</u>
Less: Accumulated Depreciation				
Site Improvements	(40,075,217)	(19,263,870)	-	(59,339,087)
Vessels	(2,175,530)	(417,921)	-	(2,593,451)
Equipment	(909,090)	(150,053)	-	(1,059,143)
Vehicles	(269,530)	(57,310)	-	(326,840)
Software	(6,230)	-	-	(6,230)
Total Accumulated Depreciation	<u>(43,435,597)</u>	<u>(19,889,154)</u>	<u>-</u>	<u>(63,324,751)</u>
Construction in Progress	<u>33,679,820</u>	<u>17,423,171</u>	<u>(15,787,728)</u>	<u>35,315,263</u>
Net Project Assets	<u>\$ 341,763,109</u>	<u>\$ 13,504,193</u>	<u>\$ (15,787,728)</u>	<u>\$ 339,479,574</u>

TGI holds planning, design, construction and other project-related contracts for site improvements, most of which are structured on a work order basis. TGI is responsible for accrued expenses per authorized work order, not for the payment of contract balances. Capital expenditures totaling \$3,496,174 and \$3,148,362 were accrued as of June 30, 2019 and 2018, respectively, which will be paid upon receipt and review of the contractor invoices.

TGI has leased certain premises to the New York City School Construction Authority (“SCA”). Such lease is for a term of 49 years expiring in May 2057 with base rent of \$1 per annum payable by SCA. Other premises are occupied by a not-for-profit organization for which TGI receives annual fees of \$1.

NOTE 5 – CONTRIBUTIONS

During the years ended June 30, 2019 and 2018, TGI recognized the amount spent for eligible project costs totaling \$15,226,393 and \$20,101,395, respectively, as capital contributions in the accompanying statements of revenues, expenses and changes in net position while the unspent funds at year-end are included in unearned revenue in the accompanying statements of net position.

Revenues from operating and capital grants from the City amounted to \$31,197,925 and \$33,178,392 for the years ended June 30, 2019 and 2018, respectively. Such amounts represented approximately 84% and 79% of total revenues for the years ended June 30, 2019 and 2018, respectively.

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NOTE 6 – PENSION PLAN

TGI's employees participate in retirement plans through Extensis, a professional employer organization. The plan sponsor and plan administrator is Extensis Holdings, LLC, which has ultimate authorization over the plan and any amendments, plan terminations, vesting, distributions and all plan activity as it is a Multiple Employer Plan. Plan forfeitures are used to either reduce employer contributions or are applied to plan fees. The employer-funded plan is a defined contribution plan, which covers substantially all of TGI's employees. It provides for variable contribution rates by TGI ranging from 3% to 14% of the employee's eligible wages as defined in the plan document. Pension expense for the years ended June 30, 2019 and 2018 amounted to \$158,185 and \$122,489, respectively, and is included in personnel costs in the accompanying statements of revenues, expenses and changes in net position.

NOTE 7 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject TGI to a concentration of credit risk include cash accounts with JP Morgan Chase Bank, N.A, and First Republic Bank (the "Banks") that may exceed the FDIC insurance limits.

As of June 30, 2019 and 2018, TGI had cash accounts with the Banks that exceeded the FDIC insurance limits by approximately \$11.3 million and \$8.3 million, respectively. However, TGI entered into a custodial agreement (the "Agreement") with JP Morgan in which it will deliver to a custodian for deposit the amount of any uninsured deposits of TGI multiplied by a margin factor of 102%. The custodian will hold any eligible securities, consisting of U.S. Treasury Notes, pledged by the Bank as collateral for the benefit of TGI pursuant to the Agreement. All securities held by the custodian as collateral are registered and are held in TGI's name.

First Republic secured a Standby Letter of Credit ("LoC") for TGI from the Federal Home Loan Bank, which guarantees the repayment of non-insured funds to municipal/public sector unit depositories. The LoC is an obligation to make payment to a third-party if a member financial institution does not perform its underlying obligation to that third-party. The LoC is written to the depositor as beneficiary.

NOTE 8 – RENTAL INCOME

In July 2016, TGI leased certain premises to QC Terme NY LLC (the "Tenant"), a limited liability company, for purposes of operating a modern day spa. Such lease is effective January 1, 2018 for a term of 50 years expiring in December 2067. The Tenant has the option to extend the lease for 20 more years. Rental income amounted to approximately \$815,000 for the year ended June 30, 2019.

The future minimum base rent to be received under the lease during each of the next five fiscal years ending from June 30, 2020 through 2024, and through the end of the lease term (thereafter), is approximately as follows:

2020	\$ 927,000
2021	1,149,000
2022	1,371,000
2023	1,501,000
2024	1,539,000
Thereafter	<u>117,072,000</u>
	<u>\$ 123,559,000</u>

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NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Contingencies for Future Audits by Governmental and Other Funding Sources

Pursuant to TGI's contractual relationships with certain governmental and other funding sources, such funding sources have the right to examine the books and records of TGI involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

B. Litigation

TGI is involved in several personal injury actions allegedly arising out of accidents and incidents occurring on or about the project. Management believes that any liabilities arising from such claims would be covered either by indemnification protections provided in the master contract between TGI and the City, or by liability insurance/contractual indemnification of third parties, such as contractors or permittees of the sites of the alleged accidents. Accordingly, management believes the potential aggregate liability for all such claims would not have a material adverse effect on TGI's financial condition.

C. Facilities Management and Construction Management Services Contract

As of July 1, 2016, TGI has entered into an agreement with LiRo Program and Construction Management ("LiRo") to provide facilities management and construction management services to assist TGI in the operation, maintenance and redevelopment of the Island. The term of the agreement is for five years expiring on June 30, 2021. There are two two-year options to renew the contract at TGI's discretion. If TGI were to exercise both options, the contract will expire on June 30, 2025.

D. Impact of Superstorm Sandy

Expenses were incurred during the years ended June 30, 2014 and 2013, due to the damage caused by Hurricane Sandy. While emergency recovery measures are complete, permanent restoration and future mitigation work continues. TGI received \$693,262 in Federal Emergency Management Agency ("FEMA") funds during the year ended June 30, 2017, for work completed under the federal category's debris removal and emergency repairs. TGI received \$1,132,186 in FTA Emergency Relief Grant funds in the year ended June 30, 2015, and \$100,665 in the year ended June 30, 2017, which covered repair and restoration costs associated with transit facilities. Work included the Battery Maritime Building waiting room and air conditioning system, ferry lift bridges, provision of alternate ferry service and coverage for the ferry crew. For non-emergency, non-essential work – meaning not essential to day-to-day operations – TGI continues to work with FEMA and the New York City Office of Management and Budget on project review, approval and funding. A new FEMA-funded project began in fiscal year 2018, the South Island Electrical Conduit project, which had been inundated during the storm. One FEMA-funded project was completed in fiscal year 2017, namely the replacement of Building 110's heating system. Total funding for all projects is currently estimated to be \$11.97 million.