

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, 2021 and 2020

and

Reports in Accordance with
Government Auditing Standards

Year Ended June 30, 2021

M A R K S P A N E T H

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, 2021 AND 2020

and

Reports in Accordance with *Government Auditing Standards*

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2021 and 2020 and the related notes to the financial statements, which collectively comprise TGI's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2021 and 2020, 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

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021 on our consideration of TGI'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 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 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 TGI's internal control over financial reporting and compliance.



New York, NY
September 28, 2021

**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, 2021 AND 2020 (UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of 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, 2021 and 2020. 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 basic 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 a 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 declared the Governors Island National Monument in 2003 and are overseen by the National Park Service. TGI is a New York State not-for-profit corporation, governed by a 17-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 realize the full potential of Governors Island for the inspiration and enjoyment of all New Yorkers, demonstrating a bold vision for public space; more specifically, 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. Capital projects are ongoing as TGI continues to improve Island infrastructure, making it development-ready as plans for the Island progress.

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, 2021, TGI had current assets of \$15,042,338 compared to \$12,667,586 as of June 30, 2020. Current assets are presented below in greater detail and in comparison to prior years.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020 (UNAUDITED)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

				<u>Variance (%)</u>	
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021 vs 2020</u>	<u>2020 vs 2019</u>
Current Assets					
Cash and cash equivalents	\$ 5,229,765	\$ 6,571,220	\$ 6,162,805	-20%	7%
Restricted cash and cash equivalents	2,521,265	2,792,193	4,668,588	-10%	-40%
Accounts receivable	715,007	50,800	621,686	1307%	-92%
Grants and contributions receivable from government sources	3,540,903	970,764	789,195	265%	23%
Grants and contributions receivable from private sources	112,500	137,500	138,541	-18%	-1%
Short-term investments	2,904,937	2,141,648	947,959	36%	126%
Prepaid expenses	17,961	3,461	16,014	419%	-78%
Total current assets	<u>\$ 15,042,338</u>	<u>\$ 12,667,586</u>	<u>\$ 13,344,788</u>	19%	-5%

The difference in current assets is mainly due to timing of payments from the City for operational support. As a result of delayed operations from COVID-19, fees in 2020 and related receivables for the Island were significantly less than in 2021. The Island was not open to the public in May and June 2020, therefore, receivables from Island revenues were not at the levels typically reported. The Island was able to open in May and June 2021 and, receivables from Island revenues increased as of June 30, 2021.

Noncurrent Assets

The following chart shows TGI's noncurrent (i.e., capital) assets for the years ended June 30, 2021, 2020 and 2019:

Capital Assets Summary	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beginning Balance	\$ 320,133,108	\$ 335,108,022	\$ 339,479,574
Additions/Deductions (Net of Depreciation)	(12,799,204)	(14,974,914)	(4,371,552)
Ending Balance	<u>\$ 307,333,904</u>	<u>\$ 320,133,108</u>	<u>\$ 335,108,022</u>

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, 2021, \$553,374 was reclassified from construction-in-progress to assets completed and in use and related to the completion of the Battery Maritime Building lobby renovation project.

Construction-in-progress expenses of \$9,113,166 were incurred during the year ended June 30, 2021. Construction-in-progress expenses of \$7,271,898 and \$15,780,215 were incurred during the years ended June 30, 2020 and 2019, respectively. These are presented in greater detail in Note 4. Capital expenses were funded primarily by government grants.

As of June 30, 2021, total noncurrent assets consisted of capital assets, net of accumulated depreciation, of \$307,333,904 (\$434,529,541 less \$127,195,637 accumulated depreciation) and security deposits of \$489,862. Net deductions to capital assets (based on construction-in-progress) represent a 4.00% decrease from the \$320,133,108 balance as of June 30, 2020, because depreciation expense exceeded capital outlay in 2021. Net deductions to capital assets in fiscal year 2020 represented a 4.47% decrease over the \$335,108,022 balance as of June 30, 2019.

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JUNE 30, 2021 AND 2020 (UNAUDITED)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

Total assets as of June 30, 2021, were \$322,866,104, a decrease of 3.11% over fiscal year 2020 primarily caused by the depreciation in capital assets, which exceeded capital outlay in 2021. Total assets as of June 30, 2020, were \$333,239,359, a decrease of 4.49% over the prior year.

Liabilities

Current liabilities of \$8,205,803 were reported as of June 30, 2021, which is an increase of 48.63% from the prior year. The increase is due to the timing of payments made by TGI as a result of the timing of cash flows received from the City, in addition to certain payables at year-end related to the Island's operations. These payables had not existed in 2020 due to the Island not opening at the beginning of the 2020 season due to COVID-19. Staffing increases had also increased payroll and related liabilities at the end of the year.

	2021	2020	2019	Variance (%)	
				2021 vs 2020	2020 vs 2019
Current Liabilities					
Accounts payable and accrued expenses					
Operations	\$ 2,897,720	\$ 1,730,829	\$ 3,420,341		
Private grants	-	-	8,994		
City capital	3,275,826	1,349,878	3,485,021		
State capital	-	-	2,159		
Total accounts payable and accrued expenses	6,173,546	3,080,707	6,916,515	100.39%	-55.46%
Unearned revenue					
Operations	476,438	435,673	659,587		
Private grants	1,555,819	1,655,819	1,755,819		
Total unearned revenue	2,032,257	2,091,492	2,415,406	-2.83%	-13.41%
Current portion of PPP loan payable	-	348,852	-	-100.00%	100.00%
Total current liabilities	8,205,803	5,521,051	9,331,921	48.63%	-40.84%
Noncurrent Liabilities					
Security deposits	502,299	442,614	446,306		
PPP loan payable	810,817	439,348	-		
Total noncurrent liabilities	1,313,116	881,962	446,306	48.89%	97.61%
TOTAL LIABILITIES	\$ 9,518,919	\$ 6,403,013	\$ 9,778,227	48.66%	-34.52%

In 2021, TGI applied for and received a second Paycheck Protection Program (PPP) loan in the amount of \$810,817, through the program created by the Coronavirus Aid Relief, and Economic Security ("CARES") Act. The Loan (which is further described in note 5 to the financial statements) is forgivable by the Small Business Administration ("SBA") when TGI meets the requirements and is approved for forgiveness. The first PPP loan was received on April 12, 2020 and had been fully forgiven as of June 30, 2021. Until such time, the loan was recorded as a liability.

As of June 30, 2021 and 2020, TGI's total liabilities were \$9,518,919 and \$6,403,013, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020 (UNAUDITED)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

Net Position

Net position as of June 30, 2021, was \$313,347,185; \$307,333,904 was invested in capital assets, \$127,210 was restricted in total, \$27,210 by the funder of an arts initiative and \$100,000 by the funder in support of the 2021 public art season, and \$5,886,071 was unrestricted. The overall decrease in net position was \$13,489,161 or 4.13%, which is discussed below.

Net position as of June 30, 2020, was \$326,836,346, of which \$320,133,108 was invested in capital assets, \$150,000 was restricted by the funder of an arts initiative, and \$6,553,238 was unrestricted. TGI's 2020 net position represented an increase of 3.62% over 2019.

Operating Revenues

For the year ended June 30, 2021, TGI's total operating revenues of \$19,421,902 consisted of \$2,203,977 in fee income, \$1,419,594 in rental income, \$15,748,584 in operating grants and contributions from the City, and \$49,747 in other operating income. 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 \$477,686 in fiscal year 2021. Rental income consists of lease payments from QC Terme, the developer of the day spa project (Buildings 111, 112 and 114), KAI Systems, Inc, an asset inspection and condition monitoring technology company (Building 107), and common charges from the Lower Manhattan Cultural Council (LMCC), which hosts an artists' studio program on the Island (Building 110). Overall operating revenues from permits and fees decreased by 5% from 2020. Amounts did not return to pre COVID-19 levels because large revenue generating events had not been held in FY 2021.

For the year ended June 30, 2020, TGI's total operating revenue of \$18,895,210 consisted of \$2,325,030 in fee income (from site and permit fees, event-related reimbursements, and ferry fare collection), \$1,223,210 in rental income, \$15,319,463 in operating grants and contributions from the City, and \$27,507 in other operating income. Ferry fare revenue for the year ended June 30, 2020, was \$400,291.

	2021	2020	2019	Variance (%)	
				2021 vs 2020	2020 vs 2019
OPERATING REVENUES:					
Permits and other fees	\$ 2,203,977	\$ 2,325,030	\$ 3,326,539	-5%	-30%
Rental income	1,419,594	1,223,210	992,922	16%	23%
Operating grants and contributions	15,748,584	15,319,463	15,971,532	3%	-4%
Other operating income	49,747	27,507	623,483	81%	-96%
	<u>\$ 19,421,902</u>	<u>\$ 18,895,210</u>	<u>\$ 20,914,476</u>	3%	-10%

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

Operating Expenses

Total operating expenses of \$43,797,262 for the year ended June 30, 2021, include facilities management expenses for Island operations totaling \$11,828,752, as well as TGI's internal expenses.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Variance (%)</u>	
				<u>2021 vs 2020</u>	<u>2020 vs 2019</u>
OPERATING EXPENSES:					
Facilities management	\$ 11,828,752	\$ 11,275,574	\$ 14,302,246	5%	-21%
Personnel costs	5,418,416	4,881,815	4,427,139	11%	10%
Utilities	489,847	447,686	629,249	9%	-29%
Depreciation and amortization	22,250,528	21,377,165	20,243,193	4%	6%
Other general and administrative expenses	<u>3,809,719</u>	<u>3,478,802</u>	<u>2,398,542</u>	10%	45%
TOTAL OPERATING EXPENSES	<u>\$ 43,797,262</u>	<u>\$ 41,461,042</u>	<u>\$ 42,000,369</u>	6%	-1%
OPERATING LOSS	<u>\$ (24,375,360)</u>	<u>\$ (22,565,832)</u>	<u>\$ (21,085,893)</u>	8%	7%

The operating loss was \$24,375,360 for the year ended June 30, 2021, and \$22,565,832 for the year ended June 30, 2020. A significant portion of TGI's 2021 and 2020 year-end operating loss is comprised of depreciation and amortization, which is a noncash item.

Facilities management (FM), representing 27% of total operating expenses (55% excluding depreciation expense), covers the cost of LiRo Program and Construction Management staff working on daily Island operations as well as all the subcontractors who provide services: ferry, security, grounds keeping, janitorial and building repairs, among others. TGI personnel costs were \$5,418,416, an increase of 11% from 2020, based in part on a transition away from third party operations/facilities contracts. TGI also added new positions for paralegal, operations administration, and an HR director to meet the growing needs of the organization.

In the prior year, notable operating expenses included personnel costs of \$4,881,815, an increase of 10% from 2019. Other general and administrative expenses were \$3,478,802, an increase of 45% from 2019, which includes demolition work undertaken by TGI to remove structurally unsound buildings that presented a hazard to those working on the island and to the visiting public.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020 (UNAUDITED)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)
Nonoperating Revenues

Nonoperating revenues totaled \$10,886,199, \$10,280,281, and \$16,057,660 for the years ended June 30, 2021, 2020 and 2019, respectively. The increase in capital grants and contributions from private sources of \$454,309 primarily consists of grants made to TGI and donations made through the new online ferry ticketing system. Forgiveness of loan in 2021 is comprised of Paycheck Protection Program loan forgiveness, accounting for the increase between 2021 and 2020. Details are provided below.

	2021	2020	2019	Variance (%)	
				2021 vs 2020	2020 vs 2019
NONOPERATING REVENUES:					
Capital grants and contributions from government sources	\$ 8,626,207	\$ 9,251,799	\$ 15,226,393	-7%	-39%
Capital grants and contributions from private sources	1,439,219	984,910	815,699	46%	21%
Investment income (loss)	24,728	40,840	(3,162)	-39%	-1392%
Other interest income	7,845	2,732	18,730	187%	-85%
Forgiveness of loan	788,200	-	-	100%	0%
	<u>\$ 10,886,199</u>	<u>\$ 10,280,281</u>	<u>\$ 16,057,660</u>	6%	-36%
Change in net position	\$ (13,489,161)	\$ (12,285,551)	\$ (5,028,233)	10%	144%
Net position - beginning of year	326,836,346	339,121,897	344,150,130	-4%	-1%
Net position - end of year	<u>\$ 313,347,185</u>	<u>\$ 326,836,346</u>	<u>\$ 339,121,897</u>	-4%	-4%

Factors Bearing on the Future

Due to the COVID-19 pandemic, non-essential TGI staff began working remotely starting mid-March 2020, following guidance from the mayor and governor of New York. Also due to the pandemic, the Island's opening was delayed to July 15, 2020, Fiscal Year 2021 and was subject to social distancing and other health and safety precautions. Limitations on public access in the ferry terminal and on the ferries reduced visitorship as well as programming on the Island throughout the 2020 season. This had an impact on earned income – site and permit fees as well as ferry fare revenue were much reduced. In addition, the City required budget cuts of all agencies, TGI included, and imposed delays on all but immediately necessary capital projects. At the start of the 2021 public access season on May 1, 2021, Island operations were restored, with social distancing and mask requirements in place following the City's ongoing safety protocols.

As previously noted, TGI applied for and received a second draw Paycheck Protection Program loan in the amount of \$810,817, meant to cover 2½ months of payroll expenses. TGI will apply for loan forgiveness as soon as the application is available from the lender. TGI expects the loan to be 100% forgiven, as was the first PPP loan.

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
(d/b/a THE TRUST FOR GOVERNORS ISLAND)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents (Notes 2D and 8)	\$ 5,229,765	\$ 6,571,220
Restricted cash and cash equivalents (Notes 2D, 2E and 8)	2,521,265	2,792,193
Accounts receivable	715,007	50,800
Grants and contributions receivable from government sources	3,540,903	970,764
Grants and contributions receivable from private sources	112,500	137,500
Short-term investments (Notes 2E, 2F and 3)	2,904,937	2,141,648
Prepaid expenses	17,961	3,461
Total current assets	<u>15,042,338</u>	<u>12,667,586</u>
Noncurrent assets		
Security deposits held	489,862	438,665
Capital assets, net of accumulated depreciation (Notes 2G and 4)	<u>307,333,904</u>	<u>320,133,108</u>
Total noncurrent assets	<u>307,823,766</u>	<u>320,571,773</u>
Total assets	<u>\$ 322,866,104</u>	<u>\$ 333,239,359</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 6,173,546	\$ 3,080,707
Paycheck Protection Program loan payable (Note 5)	-	348,852
Unearned revenue	<u>2,032,257</u>	<u>2,091,492</u>
Total current liabilities	<u>8,205,803</u>	<u>5,521,051</u>
Noncurrent liabilities		
Security deposits	502,299	442,614
Paycheck Protection Program loan payable, net of current portion (Note 5)	<u>810,817</u>	<u>439,348</u>
Total noncurrent liabilities	<u>1,313,116</u>	<u>881,962</u>
Total liabilities	<u>9,518,919</u>	<u>6,403,013</u>
NET POSITION (Note 2H)		
Invested in capital assets	307,333,904	320,133,108
Restricted for public art season and arts initiative	127,210	150,000
Unrestricted	<u>5,886,071</u>	<u>6,553,238</u>
Total net position	<u>313,347,185</u>	<u>326,836,346</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 322,866,104</u>	<u>\$ 333,239,359</u>

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

GOVERNORS ISLAND CORPORATION
(d/b/a THE TRUST FOR GOVERNORS ISLAND)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Permits and other fees	\$ 2,203,977	\$ 2,325,030
Rental income (Note 9)	1,419,594	1,223,210
Operating grants and contributions (Notes 2C, 6)	15,748,584	15,319,463
Other operating income	49,747	27,507
	<u>19,421,902</u>	<u>18,895,210</u>
OPERATING EXPENSES:		
Facilities management (Note 10C)	11,828,752	11,275,574
Personnel costs (Note 7)	5,418,416	4,881,815
Utilities	489,847	447,686
Depreciation and amortization (Note 4)	22,250,528	21,377,165
Other general and administrative expenses	3,809,719	3,478,802
	<u>43,797,262</u>	<u>41,461,042</u>
OPERATING LOSS	<u>(24,375,360)</u>	<u>(22,565,832)</u>
NONOPERATING REVENUES:		
Capital grants and contributions from government sources (Notes 2C and 6)	8,626,207	9,251,799
Capital grants and contributions from private sources (Note 2C)	1,439,219	984,910
Investment income	24,728	40,840
Other interest income	7,845	2,732
Forgiveness of loan	788,200	-
	<u>10,886,199</u>	<u>10,280,281</u>
CHANGE IN NET POSITION	(13,489,161)	(12,285,551)
Net position, beginning of year	<u>326,836,346</u>	<u>339,121,897</u>
NET POSITION, END OF YEAR	<u>\$ 313,347,185</u>	<u>\$ 326,836,346</u>

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

GOVERNORS ISLAND CORPORATION
(d/b/a THE TRUST FOR GOVERNORS ISLAND)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from:		
Customer payments	\$ 3,096,634	\$ 4,119,126
Operating grants and contributions	12,111,176	15,095,549
Other receipts	109,432	23,815
Total cash receipts from operating activities	<u>15,317,242</u>	<u>19,238,490</u>
Cash payments for:		
Personnel costs	(5,208,697)	(4,724,883)
Services and supplies	<u>(15,185,646)</u>	<u>(18,142,087)</u>
Total cash payments for operating activities	<u>(20,394,343)</u>	<u>(22,866,970)</u>
Net Cash Used in Operating Activities	<u>(5,077,101)</u>	<u>(3,628,480)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from PPP loan payable	<u>810,817</u>	<u>788,200</u>
Net Cash Provided by Noncapital Financing Activities	<u>810,817</u>	<u>788,200</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and contributions from government sources	9,496,971	8,970,230
Capital grants and contributions from private sources	1,464,219	985,951
Capital asset expenditures (Note 4)	<u>(7,525,376)</u>	<u>(7,442,413)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>3,435,814</u>	<u>2,513,768</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(763,289)	(1,193,689)
Interest received	<u>32,573</u>	<u>43,572</u>
Net Cash Used in Investing Activities	<u>(730,716)</u>	<u>(1,150,117)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,561,186)	(1,476,629)
Cash and cash equivalents - beginning of year	<u>9,802,078</u>	<u>11,278,707</u>
CASH AND CASH EQUIVALENTS—END OF YEAR	<u>\$ 8,240,892</u>	<u>\$ 9,802,078</u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (24,375,360)	\$ (22,565,832)
Adjustments to reconcile operating loss to cash flows used in operating activities:		
Depreciation and amortization	22,250,528	21,377,165
Changes in operating assets and liabilities:		
Accounts receivable	(4,205,110)	570,886
Prepaid expenses	(14,500)	12,553
Accounts payable and accrued expenses	1,166,891	(2,795,646)
Security deposits	59,685	(3,692)
Unearned revenue	<u>40,765</u>	<u>(223,914)</u>
Net Cash Used in Operating Activities	<u>\$ (5,077,101)</u>	<u>\$ (3,628,480)</u>
RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:		
Unrestricted cash and cash equivalents	\$ 5,229,765	\$ 6,571,220
Restricted cash and cash equivalents	<u>3,011,127</u>	<u>3,230,858</u>
CASH AND CASH EQUIVALENTS—END OF YEAR	<u>\$ 8,240,892</u>	<u>\$ 9,802,078</u>
Supplemental Disclosure of Cash Flow Information:		
Noncash capital and related financing transactions:		
Accrued capital asset expenditures	<u>\$ 3,275,826</u>	<u>\$ 1,349,878</u>
PPP loan forgiveness	<u>\$ 788,200</u>	<u>\$ -</u>

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

GOVERNORS ISLAND CORPORATION
(d/b/a THE TRUST FOR GOVERNORS ISLAND)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 realize the full potential of Governors Island for the inspiration and enjoyment of all New Yorkers, demonstrating a bold vision for public space. TGI aims 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 17-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.

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, rental income, and operating grants and contributions from the City. Major operating expenses include facilities management costs, personnel costs, and professional fees.

GOVERNORS ISLAND CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Grants and Contributions*

Operating funds provided by the City are recognized as revenue in the period earned. 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 and do not have eligibility requirements are recorded as revenue and until the contribution is used for that purpose are reported within restricted net position. Contributions received that contain eligibility requirements are recognized as unearned revenue until the eligibility requirements have been met, at which time they are recognized as revenue.

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 Assets*

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 prices. 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 income (loss) 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. 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.

GOVERNORS ISLAND CORPORATION
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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 depreciated over the estimated useful lives of the assets.

Other property and equipment purchased for use in operations by TGI of more than \$10,000 are 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
Vessels	10 to 15 years
Software	3 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; 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 allowances for doubtful accounts, and depreciation. Actual results could differ from those estimates.

J. *Reclassifications*

Certain prior year statement of financial position and cash flow balances have been reclassified to conform to the current year presentation.

K. *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.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *Recent Accounting Pronouncements (continued)*

- GASB Statement No. 87, *Leases*, (“GASB 87”) is effective for fiscal years beginning after June 15, 2021, as amended. 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. TGI has not completed the process of evaluating GASB 87 but does not expect it to have a material impact on TGI’s financial statements and will evaluate leases associated with rental income when implementing.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, (“GASB 89”) was adopted by TGI for the year ended June 30, 2021. GASB 89 provides accounting requirements for interest cost incurred before the end of a construction period. GASB 89 establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. GASB 89 did not have an impact on TGI’s financial statements.
- GASB Statement No. 91, *Conduit Debt Obligations*, (“GASB 91”) is effective for reporting periods beginning after December 15, 2021, as amended. GASB 91 provides a single method of reporting conduit debt obligations by issuers and aims to eliminate diversity in practice. GASB 91 clarifies the existing definition of a conduit debt obligation, establishing that it is not a liability of the issuer; and establishes accounting and financial reporting standards for additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, as well as improves note disclosures. GASB 91 is not expected to have an impact on TGI’s financial statements.
- GASB Statement No. 92, *Omnibus*, (“GASB 92”) is effective for fiscal years beginning after June 15, 2021, as amended. This standard addresses comparability and consistency in accounting and financial reporting related to a variety of GASB Statements including: *Leases, Other Postemployment Benefit Plans, Pensions, Fiduciary Activities, Asset Retirement Obligations, Public Entity Risk Pools, Fair Value Measurements, and Derivative Instruments*. GASB 92 is not expected to have an impact on TGI’s financial statements.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, (“GASB 93”) is effective for fiscal years beginning after June 15, 2021, as amended. The objective of this statement is to address those and other accounting and financial reporting implications from the replacement of the interbank offered rate (“IBOR”). GASB 93 is not expected to have an impact on TGI’s financial statements.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *Recent Accounting Pronouncements(continued)*

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (“GASB 94”) is effective for reporting periods beginning after June 15, 2022. GASB 94 is designed to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. A public-private or public-public partnership is an arrangement where the government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset (i.e. infrastructure or other capital asset), for a period of time in an exchange or exchange-like transaction. GASB 94 also gives guidance for accounting and financial reporting for availability payment arrangements (“APAs”), which is an arrangement where the government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. TGI has not completed the evaluation of GASB 94, but it is not expected to have an impact on TGI’s financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, (“GASB 95”). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (“GASB 96”), is effective for reporting periods beginning after June 15, 2022. The statement provides guidance for accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”), for government end users, and defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset), and a corresponding subscription liability. GASB 96 also provides the capitalization criteria for outlays other than subscription payments, including implementation costs. The standards for SBITAs are largely based on the standards established in GASB 87 for leases. TGI has not completed the evaluation of GASB 96.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

TGI’s investments consisted of the following at June 30, 2021 and 2020, and were classified as Level 1 in the fair value hierarchy (as defined below) as follows:

	2021	2020
Certificates of Deposit and Mutual Funds	<u>\$ 2,904,937</u>	<u>\$ 2,141,648</u>

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 more than \$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.

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NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.

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 on June 30, 2021, are invested in certificates of deposit 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, 2021, 93% consist of fixed-income mutual funds, and 7% consist of certificates of deposit with New York Banks.

NOTE 4 – CAPITAL ASSETS

The changes in capital assets for the years ended June 30, 2021 and 2020 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.

GOVERNORS ISLAND CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 – CAPITAL ASSETS (continued)

The changes in capital assets for the year ended June 30, 2021 were as follows:

	Balance on June 30, 2020	Additions	Deductions	Balance on June 30, 2021
Land	\$ 1	\$ -	\$ -	\$ 1
Site Improvements	370,293,429	625,416	-	370,918,845
Vessels	16,729,607	-	-	16,729,607
Equipment	2,238,341	202,295	-	2,440,636
Vehicles	622,592	63,821	-	686,413
Software	6,230	-	-	6,230
Total Project Assets	<u>389,890,200</u>	<u>891,532</u>	<u>-</u>	<u>390,781,732</u>
Less: Accumulated Depreciation				
Site Improvements	(98,267,050)	(20,411,863)	-	(118,678,913)
Vessels	(4,718,506)	(1,522,961)	-	(6,241,467)
Equipment	(1,502,600)	(254,298)	-	(1,756,898)
Vehicles	(450,723)	(61,406)	-	(512,129)
Software	(6,230)	-	-	(6,230)
Total Accumulated Depreciation	<u>(104,945,109)</u>	<u>(22,250,528)</u>	<u>-</u>	<u>(127,195,637)</u>
Construction-in-Progress	35,188,017	9,113,166	(553,374)	43,747,809
Net Project Assets	<u>\$ 320,133,108</u>	<u>\$ (12,245,830)</u>	<u>\$ (553,374)</u>	<u>\$ 307,333,904</u>

The changes in capital assets for the year ended June 30, 2020, were as follows:

	Balance on June 30, 2019	Additions	Deductions	Balance on June 30, 2020
Land	\$ 1	\$ -	\$ -	\$ 1
Site Improvements	361,132,041	9,161,388	-	370,293,429
Vessels	16,729,607	-	-	16,729,607
Equipment	2,091,508	146,833	-	2,238,341
Vehicles	549,307	73,285	-	622,592
Software	6,230	-	-	6,230
Total Project Assets	<u>380,508,694</u>	<u>9,381,506</u>	<u>-</u>	<u>389,890,200</u>
Less: Accumulated Depreciation				
Site Improvements	(78,745,377)	(19,521,673)	-	(98,267,050)
Vessels	(3,195,545)	(1,522,961)	-	(4,718,506)
Equipment	(1,234,370)	(268,230)	-	(1,502,600)
Vehicles	(386,422)	(64,301)	-	(450,723)
Software	(6,230)	-	-	(6,230)
Total Accumulated Depreciation	<u>(83,567,944)</u>	<u>(21,377,165)</u>	<u>-</u>	<u>(104,945,109)</u>
Construction-in-Progress	38,167,272	7,271,898	(10,251,153)	35,188,017
Net Project Assets	<u>\$ 335,108,022</u>	<u>\$ (4,723,761)</u>	<u>\$ (10,251,153)</u>	<u>\$ 320,133,108</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 \$3,275,826 and \$1,349,878 were accrued as of June 30, 2021 and 2020, respectively, which will be paid upon receipt and review of the contractor invoices.

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NOTE 4 – CAPITAL ASSETS (continued)

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 – LOAN PAYABLE

In March 2021, TGI applied for and received a Paycheck Protection Program loan in the amount of \$810,817. The loan is funded by the Coronavirus Aid Relief and Economic Security (CARES) Act through New York Business Development Corporation (the Lender) and is to assist TGI in paying eligible payroll and other occupancy costs resulting from revenue losses due to COVID-19. The loan accrues interest at 1% and is due in full within five years of the funding date, March 2, 2021. If TGI meets the requirements under the CARES Act for forgiveness and is approved for forgiveness, no payments will be required for the loan. If TGI does not meet the requirements for forgiveness, loan repayments would begin on July 1, 2023, and require equal monthly installments of \$18,759 with \$750 due in the final month in accordance with a 45-month amortization schedule.

On April 11, 2021, TGI received notification of forgiveness from the Small Business Administration for its first Paycheck Protection Program loan received on April 18, 2020. TGI recorded a forgiveness of the loan within nonoperating activities of \$788,200.

NOTE 6 – CONTRIBUTIONS

During the years ended June 30, 2021 and 2020, TGI recognized the amount spent for eligible project costs totaling \$8,626,207 and \$9,251,799, respectively, as capital grants and 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 \$24,374,791 and \$24,571,262 for the years ended June 30, 2021 and 2020, respectively. Such amounts represented approximately 80% and 84% of total revenues for each of the years ended June 30, 2021 and 2020, respectively.

NOTE 7 – RETIREMENT PLAN

TGI’s employees participate in a multiple employer retirement plan through Extensis Holdings, LLC, 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 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, 2021 and 2020 amounted to \$154,236 and \$195,309, respectively, and is included in personnel costs in the accompanying statements of revenues, expenses and changes in net position.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 – RETIREMENT PLAN (continued)

Effective February 1, 2021, TGI's retirement plan had changed to a single employer retirement plan through Voya Institutional Trust Company, a retirement insurance and annuity company. All assets in the previous plan with Extensis Holdings, LLC, were transferred to the new plan with Voya Institutional Trust Company. The plan sponsor and plan administrator are TGI, which has ultimate authorization over the plan and any amendments, plan terminations, vesting, distributions and all plan activity as it is a single employer plan. Plan forfeitures are used to either reduce employer contributions or are applied to plan fees. The plan is a defined contribution plan, which covers substantially all 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, 2021 and 2020 amounted to \$176,650 and \$0, respectively, and is included in personnel costs in the accompanying statements of revenues, expenses and changes in net position.

NOTE 8 – CONCENTRATION OF CUSTODIAL CREDIT RISK - DEPOSITS

Financial instruments that potentially subject TGI to a concentration of custodial credit risk include cash accounts with First Republic Bank (the "Bank") that may exceed the FDIC insurance limits. As of June 30, 2021 and 2020, TGI had cash accounts with the Bank that exceeded the FDIC insurance limits by approximately \$7.3 million and \$9.3 million, respectively.

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. The amount of the LoC was \$8 million and \$15 million as of June 30, 2021 and 2020, respectively.

NOTE 9 – 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 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 \$1,295,723 and \$1,041,893 for the years ended June 30, 2021 and 2020, respectively.

The future minimum base rent to be received under the lease during each of the next five fiscal years ending from June 30, 2022 through 2026, and through the end of the lease term (thereafter), is approximately as follows:

2022	\$ 1,483,000
2023	1,520,000
2024	1,558,000
2025	1,597,000
2026	1,636,000
Thereafter	<u>113,060,000</u>
	<u>\$ 120,854,000</u>

GOVERNORS ISLAND CORPORATION
(d/b/a THE TRUST FOR GOVERNORS ISLAND)
(A COMPONENT UNIT OF THE CITY OF NEW YORK)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 – 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 permits 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 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.

**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**

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

We have audited, in accordance with the 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 Governors Island Corporation (d/b/a The Trust for Governors Island) ("TGI"), which comprise the statements of net position as of June 30, 2021 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TGI's internal control over financial reporting (internal control) to determine the 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 TGI's internal control. Accordingly, we do not express an opinion on the effectiveness of TGI'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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a 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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TGI'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 TGI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TGI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Mark Paneth in black ink.

New York, NY
September 28, 2021