TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

REPORT TO THE BOARD

June 18, 2014

The Board of Directors
Roosevelt Island Operating Corporation

Dear Board Members:

We have audited the financial statements of Roosevelt Island Operating Corporation (RIOC), a component unit of the State of New York as of and for the year ended March 31, 2014 and have issued our report thereon dated June 18, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated January 14, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Accounting Principles

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by RIOC are described in note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2014. We noted no transactions entered into by RIOC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

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

- Management's estimate of the accumulated depreciation is based on determining useful lives of assets.

- Collection of receivables - Receivables are stated at the amount management estimates will be collectible on outstanding balances. A valuation allowance is provided based on management's estimate of probable uncollectible amounts.

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- OPEB liability - Management's estimate of postemployment benefits is calculated using assumptions for future years health care benefits and contributions on a pay as you go basis. Full detail of assumptions is located in Note 10 of the financial statements.

For the year ended March 31, 2014, we evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Significant Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of commitments and contingencies in Note 9.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

* * * * * *

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

Very truly yours,

TOSKI & CO., CPAs, P.C.

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

Financial Statements and Management's
Discussion and Analysis

March 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Roosevelt Island Operating Corporation:

We have audited the accompanying financial statements of Roosevelt Island Operating Corporation (RIOC), a component unit of the State of New York, as of and for the years ended March 31, 2014, and the related notes to financial statements, which collectively comprise the RIOC's 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.

Auditor's 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 audits 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 RIOC'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 RIOC'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Roosevelt Island Operating Corporation as of March 31, 2014 and 2013, and the respective changes in net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of RIOC as of March 31, 2013, were audited by other auditors whose report dated May 17, 2013, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIOC's basic financial statements. The accompanying schedules listed in the Table of Contents under the heading of Supplemental Information, which are the responsibility of management, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2014, on our consideration of RIOC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 RIOC's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 18, 2014

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Toski & Co., CPAs, P.C.

Williamsville, New York
June 18, 2014

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Roosevelt Island Operating Corporation (RIOC) at March 31, 2014 and 2013, and the results of its operations for the years then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board for state and local governments. This MD&A should be read in conjunction with the audited financial statements and accompanying notes to financial statements, which directly follow the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE CORPORATION NET POSITION

The following is a summary of the RIOC's statement of net position at March 31, 2014 and 2013 and the percentage changes between March 31, 2014 and March 31, 2013:

	2014	2013	% Change
Current and other assets	$ 47,340,871	45,314,018	4%
Capital assets, net	67,517,327	68,724,541	(2%)
Total assets	$ 114,858,198	114,038,559	1%
Liabilities	$ 33,778,527	33,762,970	0%
Net position:			
Net investment in capital assets	67,517,327	68,724,541	(2%)
Restricted for capital projects	13,020,543	10,450,427	25%
Unrestricted	541,801	1,100,621	(51%)
Total net position	$ 81,079,671	80,275,589	1%

On RIOC's statement of net position at March 31, 2014, total assets of $114,858,198 exceeded total liabilities of $33,778,527 by $81,079,671 (total net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling $67,517,327, cash and cash equivalents totaling $42,085,888 and other assets of $5,254,983. Liabilities comprised of accounts payable of $1,090,012, unearned revenues of $29,213,679 (prepaid rents), other post-employment benefits of $2,892,456, and other liabilities totaling $582,381. Unearned revenues represent the prepaid ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms. Of total net position, $13,020,543 is available to be used to meet ongoing capital obligations. Additionally, $541,801 is available for ongoing operational expenses.

Short-term investments increased by $1,793,354 or 4.48%. This was mainly due to an increase in Tramway revenues by $477,094 or 10.28%, and an increase in ground rent by $1,163,185 or 12.43%, which includes mortgage recording tax payments from the refinancing of Southtown building 3 and 4 in the amount of $371,506; and land transfer payment from Cornell in the amount of $400,000.

OPERATING ACTIVITIES

RIOC's statements of revenues, expenses and changes in fund net position are used to report changes in the net position, including depreciation expense. Revenues reported here are based on a standard of recognition whereby revenues are recorded when earned. The statements of revenues, expenses and changes in fund net position detail program revenues by major source and expenses by natural classification and indicate the change in net position.

RIOC's total operating revenues for the fiscal year ending March 31, 2014 were $23,595,449, which includes $23,323,917 in revenues identified as program revenues and $271,532 of non-program specific revenues, primarily interest income and telephone commission. For the fiscal year ending March 31, 2014, operating revenues increased by $1,725,739 or 7.89% over the last fiscal year. This was mainly due to an increase in Tramway revenues by $477,094 or 10.28% and Ground rents by $1,163,185 or 12.43%, which includes mortgage recording tax revenues of $371,506 from the refinancing of Southtown building 3 and 4; and land transfer revenues of $400,000 from Cornell. In addition, other revenues increased by $144,921 or 15.11% mainly due to an increase in Sportspark fees by $49,546, sports field permit fees by $24,535, and other permit fees including newly initiated construction permit fees by $38,948. However, residential fees decreased by $56,789 or 5.11% primarily due to a decrease in condo sales transactions; and interest income declined by $27,506 or 14.84% due to low interest rate resulting from the short term nature of RIOC's investments in accordance with the State's investment guidelines.

RIOC's total operating expenses for the fiscal year ending March 31, 2014 were $22,791,367 and $21,664,826 for the last fiscal year ending March 31, 2013, including depreciation of $3,498,737 and $3,424,513, respectively. For fiscal year ending March 31, 2014, total operating expenses before depreciation increased by $1,052,317 or 5.77% over the last fiscal year, which is mainly due to increases in professional and legal services for Cornell, Four Freedoms State Park, and public safety by $729,914 and insurance by $295,565; respectively. There will be a loss of approximately $50,000 in reimbursement for public safety services provided to the Four Freedoms State Park.

The following summarizes RIOC's change in net position for the fiscal years ended March 31, 2014 and 2013:

	2014	2013	% Change
Operating revenues:			
Residential fees	$ 1,054,652	1,111,441	-5%
Ground rent	10,519,864	9,356,679	12%
Commercial rent	1,434,674	1,421,038	1%
Tramway revenue	5,117,937	4,640,843	10%
Public safety reimbursement	1,743,828	1,673,097	4%
Transport/parking revenue	2,469,234	2,521,892	-2%
Interest income	157,897	185,403	-15%
Unrealized gain (loss)	(6,875)	-	100%
Other revenues	1,104,238	959,317	15%
Total operating revenues	23,595,449	21,869,710	8%
Operating expenses:			
Personal services	10,130,433	10,008,395	1%
Insurance	1,433,013	1,137,448	26%
Professional services and legal services	1,400,739	670,825	109%
Management fees	4,101,573	4,074,439	1%
Telecommunications	103,010	115,623	-11%
Repairs and maintenance	352,706	281,689	25%
Vehicles maintenance	351,700	350,664	0%
Equipment purchases/lease	54,464	73,482	-26%
Supplies/services	975,482	1,051,650	-7%
Other expenses	389,510	476,098	-18%
Total operating expenses excluding depreciation	19,292,630	18,240,313	6%
Operating income before depreciation	4,302,819	3,629,397	19%
Depreciation expenses	(3,498,737)	(3,424,513)	2%
Change in net position	804,082	204,884	292%
Net position, beginning of year	80,275,589	80,070,705	0%
Net position, end of year	$ 81,079,671	80,275,589	1%

CAPITAL ASSETS

The following summarizes RIOC's capital assets for the fiscal years ended March 31, 2014 and 2013 and the percentage change between fiscal years:

	2014	2013	% Change
Seawall	$ 3,014,291	2,801,889	8%
Buildings	12,532,919	12,913,630	(3%)
Land improvements	6,673,434	6,809,287	(2%)
Vehicles and equipment	1,847,358	2,467,171	(25%)
Infrastructure	43,385,186	43,693,442	(1%)
Leasehold improvements	64,139	39,122	64%
Total net position	$ 67,517,327	68,724,541	(2%)

The capital assets of $67,517,327 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The decrease of $1,207,214 from the prior year is comprised of annual depreciation of $3,498,737; addition of new capital assets of $2,301,860, and disposal of old assets of $110,544 and related accumulated depreciation of $100,206. Total depreciation expense for all capital assets amounted to $3,498,737 and $3,424,513 for the years ended March 31, 2014 and 2013, respectively. A more detailed analysis of RIOC's capital assets is presented in the notes to financial statements on pages 22-23.

INFRASTRUCTURE ASSETS

The amounts reported in the accompanying statements of assets for the capital assets (net of depreciation) of RIOC of $67,517,327 and $68,724,541 at March 31, 2014 and 2013, respectively, do not include an amount for two infrastructure items: the bulk of the seawall, and Main Street (the road). Pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, addressing the capitalization of infrastructure assets, infrastructure assets dating from prior to 1980 are not required to be recognized. Improvements to such infrastructure items, however, are reported.

ECONOMIC FACTORS AFFECTING RIOC'S FUTURE FINANCIAL POSITION

Six (6) of the anticipated nine (9) buildings ("Buildings") of the Southtown Development Project have been completed. Of the remaining Buildings, the Building 7 Lease was closed on October 10, 2013 and construction is in progress. The Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. Should development fail to occur within the expected timeframe, RIOC is protected by a letter of credit in the amount of $2,438,400. RIOC believes that the development will occur based in part on the increased interest in the Island as a result of the multi-billion dollar Cornell Technion project on the Island.

The Modernized Tram, which was placed in service on November 31, 2010, now better meets the transportation needs of the residents and visitors: more passengers are shuttled quickly and safely; there is greater availability - the system allows for one cabin to continue operations while the other is down for preventive maintenance; and it is more reliable with redundant generators to power the system resulting in increased efficiencies and capabilities. Ridership on the Tram is increasing due to increased activities on the Island including the development of Southtown and Cornell Technion; and higher visitorship to the Four Freedoms State Park. During the fiscal year ended March 31, 2014, Tramway revenue exceeded the budget by $767,937 or 18% (see Budget variance report - page 39). The infrastructure improvement was funded by a $15 million grant from the State of New York and $10 million from RIOC.

On December 12, 2013, RIOC's board approved the elimination of the Red Bus fares and the doubling of the street parking fees to compensate for the loss of bus revenue. This change has increased the efficiency of the bus operations and was effective April 1, 2014.

The revitalization of Main Street and improvement of the retail businesses are in progress. On August 1, 2011 ("Commencement Date"), RIOC entered into a Master Sublease Agreement ("Agreement") with Hudson Related Retail LLC ("HRR") to redevelop, improve, market, lease and professionally operate the Retail Spaces controlled by RIOC. RIOC receives an annual guaranteed rent of $900,000 - escalating by 2% annually beginning on the first anniversary of the Commencement Date for the first five years and 2.5% annually thereafter - as well as participation in the profits of the Master Sub-lessee. HRR is required to invest no less than $2,365,000 in the aggregate in capital improvements during the first five years of the Agreement. According to its certified financial statements as of December 31, 2013, Hudson Related Retail LLC invested $2,444,628 and incurred a loss of ($292,892). According to the Agreement, RIOC will share future profits 50/50 once HRR is paid back its investment. HRR is yet to recoup any of its investment and has not made any profit sharing payment. RIOC anticipates that profit sharing will not begin for several more years.

On September 28, 2012, RIOC entered into a lease modification with Northtown Phase II Houses Inc. (the "Housing Company") - one of four Mitchell-Lama housing projects built on the Island - to extend the term of its ground lease until December 22, 2068. During the term of the lease, the Housing Company will exit Mitchell-Lama and pursue an Affordability Plan. The Affordability Plan provides, among other things, a structure for the creation of a leasehold condominium and the conversion of the residential portion of the building to cooperative ownership, the opportunity for (i) existing tenants to purchase their apartments at below market purchase prices, (ii) non-purchasing tenants to remain in their apartments at below market rents with increases promulgated by the New York City Rent Guideline Board (the "RGB"), with adjustments to reflect tenant income, and (iii) second generation affordability by limiting the resale prices of cooperative apartments and establishing maximum income levels for second generation purchasers (and beyond).

The conversion of the residential portion of the building to cooperative ownership lease provides that the Housing Company must execute the conversion within three years from the date of lease execution. Provided that this takes place, the base ground rent will increase as follows: (a) the current base rent will increase from $136,000 to $236,000 per annum - increasing by 10% on each 5th anniversary for 30 years; (b) the Housing Company will pay a transfer fee due in connection with the initial sale of each apartment equal to five percent (5%) of the unit's gross sales price - but not to exceed $4,500,000 in the aggregate; (c) for any resales following such initial sales the seller will be obligated to pay RIOC one percent (1%) of the unit's gross sales price. The conversion to cooperative ownership occurred on July 1, 2013 and the increased ground rent of $236,000 became effective January 01 2014, the first day of the year following the conversion in accordance with the terms of the lease.

Roosevelt Island was selected by the City of New York ("City") for the site of the Cornell/Technion Applied Sciences Graduate School ("Cornell"). The project, which is projected to be built in three phases over a twenty year period, will be located on the City's Goldwater Hospital site ("Goldwater Site"). To facilitate this project, on December 12, 2013, RIOC's Board resolved to: (1) amend its' Master Lease with the City to exclude the 2.62 acre surrounding the site ("Parcel") so that it may be incorporated into the City's 9.8 acre Goldwater Site for the Cornell Campus; (2) approve and adopt the State Environmental Quality Review Act Findings Statement ("SEQRA"); (3) execute the Letter of Resolution regarding State Historic Preservation Act ("SHPA"); (4) enter into agreements with the State of New York ("State"), Cornell, and New York City Economic Development Corporation ("NYCEDC"), including a Development Agreement with Cornell; and (5) authorize all related actions.

For the surrender of the Parcel back to the City, RIOC will receive a financial contribution from the State of $1,000,000 annually for 55 years payable to RIOC (escalating 2.5% every 10 years) in accordance with State budgetary procedure, with the present value of the payment fully made by December 31, 2018, to support capital infrastructure improvement on Roosevelt Island. In addition, Cornell will pay RIOC $400,000 annually for 55 years (escalating 2% every 10 years). The first of such payment has been received. Also, Cornell, at its sole cost will be responsible for the following: mitigation under SEQRA and SHPA; infrastructure improvements on, around, and under Loop Road (includes roadway work, sewers, relocation of electrical duct banks, and gas service); access to the RIOC premises under permits and License Agreements providing work plans, bonding and insurance, and incorporating construction protocols including but not limited to truck access, all approved by RIOC; air and noise pollution mitigation; payment for RIOC's Engineer and Consultant to review Work Plans for work to occur on the RIOC premises and to monitor performance of work by Cornell or its agents pursuant to Work Plans; repair of damage on the Island caused by Cornell or its agents; general indemnification for work performed by Cornell or its agents; environmental indemnification for environmental liabilities caused by Cornell or its agents; and increased security by Cornell at southern end of the Island. Cornell has commenced construction on the project site, which includes demolition and removal of debris by barging.

The New York City Health and Hospitals Corporation ("HHC") initially announced its intention to close and abandon in place a large steam plant located on the Island as of March 31, 2014. The plant provides heat to the Goldwater Site, Coler Hospital, and several RIOC-owned facilities including Sportspark, AVAC, and the Bus Garage/Warehouse. The anticipated closure of the steam plant has created several issues for RIOC. First, because HHC had announced a closing date of March 31, 2014, RIOC was compelled to implement a costly temporary heating system at its Sportspark facility in advance of that date to prevent the interruption of heat if the steam plant were closed. As it turned out, the steam plant has not yet been closed, and HHC has not provided a definitive date for such closure. In addition, RIOC will eventually have to replace this temporary system with a permanent system and the costs related to such an upgrade will likely be substantial. RIOC is currently reviewing proposals to obtain the services of a qualified engineering firm for the design of such a solution.

Additional engineering services were also retained for necessary repairs and recommended upgrades at the Sportspark facility. The consultants prepared a report of the facility's lighting, plumbing, and roofing systems. The analysis is complete, and it is anticipated that some of the recommended resulting upgrades will increase the efficiency of the aforementioned permanent heating system. In addition, the report indicated certain necessary emergency relief, including expedited repair of the roof of the facility which is expected to cost around $3 million and needs to be completed before the other repair work can be done.

The expected increase in traffic due to construction of Cornell has precipitated the need to conduct a structural evaluation of the Roosevelt Island Helix Bridge Ramp, which was rehabilitated in 1987 and would not have been addressed for some years in RIOC's Capital Plan. A qualified engineering firm was procured in May 2013; the pursuant contract includes corrective engineering and design services, preparation of contract documents, and assistance with construction. To date, design documents are completed, and RIOC is in the process of preparing an RFP for construction. RIOC estimates that the project will cost approximately $2 million and be completed by December 2014.

The Corporation has engaged a consultant to provide engineering design and marine permitting services for the completion of the Southpoint Park ("SPP") shorelines. Failures due to deterioration exist along both shores, and the west shore seawall consists of a succession of different masonry construction types, ranging from cut granite to large concrete blocks interspersed with eroded gaps. The eastern seawall, while in generally better condition, does have some localized failures including but not limited to damage to some 100 linear feet that was breached during Hurricane Irene; the portion damaged by the storm event has been approved by FEMA as a project for disaster recovery funding. Public access to the shorelines is not practical until structural integrity is restored. Moreover, loss of park area continues to occur as erosion penetrates beyond the wall breaches.

As noted above, Roosevelt Island was affected by Hurricane Irene. Before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Similarly, staff and contractor labor was used immediately following the storm to clear the roads and open spaces of debris and downed trees. Under Federal guidelines, these efforts were identified as eligible for reimbursement by FEMA. The following projects to rehabilitate portions of the Island impacted by Hurricane Irene were approved by FEMA and completed: (1) repairs to fencing damaged by falling trees; (2) repairs to damaged stone benches and walkways; (3) replacement of safety mulch washed away from playgrounds; (4) repairs to damaged streetlights adorning the open space at Lighthouse Park; and (5) repairs to several hundred linear feet of the West Side Sidewalk. For the aforementioned projects, RIOC has incurred $232,057. Repairs to damages to the electrical system at Lighthouse are in progress and estimated to cost $145,764. FEMA will reimburse RIOC 75% of the costs incurred.

Repairs to Hurricane Irene damages of the South Point Seawall, extending from the northern tip of the South Point park to the beginning of the Four Freedoms State Park on both the east and west side of approximately 1600 linear feet, are in progress; the design development documents were completed and accepted by RIOC and the final design documents for construction are in progress. RIOC has applied to the DEP for the construction permits, and DEP has received the permits from the Army Corp of Engineers. RIOC expects to receive the final design documents and permits by September 2014 and issue an RFP shortly afterward for construction. RIOC estimates that the repairs would cost approximately $16.5 million inclusive of replacement of the seawall railings and be completed by 2016. Of the estimated $16.5 million, FEMA has approved $1,098,656. RIOC has submitted an application to FEMA Hazard Mitigation Grant Program in the amount for $15.3 million and is awaiting a response from FEMA.

Similarly, the Island experienced damages caused by Hurricane Sandy during October 2012. RIOC has completed some projects including repairs to damaged electric wiring in Lighthouse Park. Both completed and in-progress work has been identified to FEMA/OEM and the projects are currently under review for eligibility under Federal guidelines. Approved projects in the amount of $57,294 will result in Federal reimbursement of $42,971 at the Federal cost-share of 75%. The estimated total cost to complete the projects being reviewed is $235,790 and contingent upon FEMA's acceptance, the expected Federal cost-share of 75% is 176,842. All projects resulting from Hurricane Sandy have been filed and must be completed prior to November 3rd, 2016 — which is anticipated to be more than sufficient.

RIOC's capital improvement plan provides a framework for the Corporation to renew existing aged infrastructure, and maintain the quality of life for the Island's residents, workers, and visitors. The Corporation achieves this by making capital improvements and strategically acquiring capital assets that support essential services such as transit, sanitation, and public safety. Significant projects in progress include the installation of LED lighting in the Motorgate Garage and repairs to the helix ramp estimated at $3 million; maintaining a state of good repair on the Island's newly renovated aerial tramway including the replacement of the current elevator with an ADA-compliant one and the addition of a new ADA-compliant elevator as well as the painting of the tram stations for an estimated cost of $3.6 million; renovation of the Bus Garage/Warehouse for an estimated cost of $3.9 million; rehabilitation of the Island's seawall for an estimated cost of $21.6 million; replacement of the railings for an estimated cost of $6 million; restoration of the Cultural Center for an estimated cost of $700,000; removal of z-brick and paving with asphalt for an estimated cost of $600,000; augumentation of rip-rap along Steam tunnel for an estimated cost of $500,000; improvement to the Sportspark facility including the implementation of a permanent heating system at an estimated cost of $700,000, and replacement of the roof at an estimated cost of $600,000; and the island wide security camera system at an estimated cost of $1.2 million.

SUBSEQUENT EVENT

It is RIOC's understanding that as of March 27, 2014, Rivercross Tenants Corp. ("Housing Company") has exited the Mitchell-Lama program. An amendment to the restated ground lease, which extended the term until 2068, call for the financial terms to be calculated in accordance with the section 4, 5 and 6 as follows:

Section 4. In the event that Housing Company is no longer a Mitchell-Lama development under Article II of the PHFL and subject to the supervision and direction of the Commissioner of HCR, but leaves the Mitchell-Lama program under an affordability plan approved by the Commissioner of HCR, the Residential Ground Rent and Commercial Ground Rent payable under the Restated Ground Lease shall be as agreed to at such time. If Housing Company leaves the Mitchell-Lama program, the parties shall also agree as to payments to RIOC in lieu of mortgage recording tax or sales and compensating use taxes on construction materials incorporated into Housing Company's property if Housing Company is able to obtain an exemption from or abatement of such taxes due to RIOC's status.

Section 5. In the event that Housing Company is no longer a Mitchell-Lama development under Article II of the PHFL and subject to the supervision and direction of the Commissioner of HCR, but leaves the Mitchell-Lama program under a plan which has not been approved as an affordability plan by the Commissioner of HCR, the Financial Terms (as defined in the succeeding sentence) of the Restated Ground Lease shall be adjusted based on the form of conversion Housing Company utilizes in leaving the Mitchell-Lama program. The "Financial Terms" of the Restated Ground Lease shall be adjusted to achieve a market rate rent, and shall include escalating to market rate the Residential Ground Rent and the Commercial Ground Rent, as well as imposing other fees and charges that RIOC then typically receives for similarly structured non-Mitchell-Lama residential properties. Such fees and other charges shall include, but not be limited to, capital event fees for building sales and refinancing and transfer fees for the sale of cooperative and condominium units, and payments to RIOC in lieu of mortgage recording tax or sales and compensating use taxes on construction materials incorporated into Housing Company's property if Housing Company is able to obtain an exemption from or abatement of such taxes due to RIOC's status. If the parties are unable to reach agreement on any of the Financial Terms to be negotiated between the parties, such dispute shall be resolved in accordance with the provisions of Paragraph 6 below. Paragraphs 4, 5 and 6 of this Agreement are applicable only to the determination of the Financial Terms payable to RIOC and are not applicable to such portion of the Basic Rent allocated to the UDC pursuant to the RAA or to the determination of the "tax equivalent" payments set forth in subparagraph 1 *(y)* and 2 *(y)* of Paragraph 5(A) of the Restated Ground Lease. The "tax equivalent" payments shall be payable as provided in paragraph 6 *(c)* of the Restated Ground Lease as same has been amended by paragraph 3 of this Amendment.

Section 6. If the parties are unable to reach agreement on the renegotiated Financial Terms, as set forth in paragraph 5 above, by no later than sixty days prior to the effective date Housing Company is leaving the Mitchell-Lama program, the dispute shall be settled by arbitration in the City of New York before the American Arbitration Association (or, if such Association is no longer in existence, such other organization as is its successor). The following procedure shall apply:

(a) Each party shall appoint an independent person of recognized competence in the field involved as an arbitrator and notify the other party of such appointment within twenty days after notice by one such party to the other to make an appointment. If either party fails to timely make an appointment and notify the other party of the arbitrator appointed, then the arbitrator appointed by the party which has not so failed shall appoint an independent arbitrator for and on behalf of the party so failing, and shall give notice of such appointment to the failing party within twenty days after such failure by the other party to appoint.

(b) The arbitrators shall meet as promptly as practicable in an effort to resolve the dispute. If the arbitrators are unable to reach agreement within thirty days after having been appointed; they shall appoint a third arbitrator to act as an umpiring arbitrator, who shall resolve the matter in dispute. If the two arbitrators cannot agree on a third arbitrator within ten days after notice from one arbitrator to the other, the umpiring arbitrator shall be appointed by the presiding justice of the Appellate Division of the Supreme Court of the State of New York, First Department, or if for any reason such presiding justice does not make the appointment, then by the President of the Bar Association of the City of New York.

(c) If any arbitrator who has been appointed fails, refuses or is unable to act in such capacity, a new arbitrator shall be appointed in his or her place, which appointment shall be made in the same manner as set forth above.

(d) The arbitrators shall conduct such hearings as they deem appropriate. RIOC and the Housing Company shall each be entitled to present evidence and argument to the arbitrators and shall have the right to participate in all arbitration proceedings in order to protect their rights. The umpiring arbitrator shall only select the determination of either RIOC's or the Housing Company's arbitrator, and shall render his or her decision in writing. In rendering a decision, the arbitrator shall have the right only to interpret and apply the terms of the Restated Ground Lease, as amended by this First Amendment, and may not vary, modify or amend any provision of the Restated Ground Lease.

(e) Each party shall pay the costs and expenses of their own arbitrator and shall share equally the cost of the umpiring arbitrator and all other arbitration expenses.

(f) A determination made by arbitration pursuant to this paragraph shall be final and binding upon the parties. If a final determination is made after the date the Housing Company leaves the Mitchell-Lama program, such determination shall be applied retroactively to the date of such exit, and, if as a result of the determination, the Housing Company owes any additional sums, it shall pay the party entitled to receive such sums within thirty days after the date the parties are notified of the arbitrator's final determination.

Final disposition is yet to be determined.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of RIOC's finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer, The Roosevelt Island Operating Corporation, 591 Main Street, Roosevelt Island, New York 10044.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Net Position
March 31, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash	$ 244,565	692,141
Short-term investments	41,841,323	40,047,969
Receivables	1,322,482	1,086,151
Prepaid expenses	1,545,134	1,437,302
Total current assets	44,953,504	43,263,563
Noncurrent investments	2,387,367	2,050,455
Capital assets, net of accumulated depreciation	67,517,327	68,724,541
Total assets	$ 114,858,198	114,038,559
Liabilities and Net Position		
Current liabilities - accounts payable and accrued expenses	1,090,012	809,460
Compensated absences	579,748	556,151
Unearned revenue	29,213,679	29,910,944
Postemployment benefits other than pension	2,892,456	2,382,669
Other liabilities	2,632	103,746
Total liabilities	33,778,527	33,762,970
Net position:		
Net investment in capital assets	67,517,327	68,724,541
Restricted for capital projects	13,020,543	10,450,427
Unrestricted net assets	541,801	1,100,621
Total net position	81,079,671	80,275,589
Commitments and contingencies (note 9)		
Total liabilities and net position	$ 114,858,198	114,038,559

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Revenues, Expenses and Changes in Net Position
Years ended March 31, 2014 and 2013

	2014	2013
Operating revenue:		
Residential fees	$ 1,054,652	1,111,441
Ground rent	10,519,864	9,356,679
Commercial rent	1,434,674	1,421,038
Tramway revenue	5,117,937	4,640,843
Public safety reimbursement	1,743,828	1,673,097
Transport/parking revenue	2,469,234	2,521,892
Interest income	157,897	185,403
Unrealized gain (loss)	(6,875)	-
Other revenue	1,104,238	959,317
Total operating revenue	23,595,449	21,869,710
Operating expenses:		
Personal services	10,130,433	10,008,395
Insurance	1,433,013	1,137,448
Professional services and legal services	1,400,739	670,825
Management fees	4,101,573	4,074,439
Telecommunications	103,010	115,623
Repairs and maintenance	352,706	281,689
Vehicles maintenance	351,700	350,663
Equipment purchases/lease	54,464	73,481
Supplies/services	975,482	1,051,650
Other expenses	389,510	476,100
Total operating expenses	19,292,630	18,240,313
Operating income before depreciation	4,302,819	3,629,397
Depreciation expenses	3,498,737	3,424,513
Changes in net position	804,082	204,884
Net position at beginning of year	80,275,589	80,070,705
Net position at end of year	$ 81,079,671	80,275,589

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Cash Flows
Years ended March 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Receipts from tenants and customers	$ 23,191,233	21,611,911
Payments related to employees	(10,096,743)	(9,822,014)
Payments to vendors	(9,109,941)	(8,197,349)
Net cash provided by operating activities	3,984,549	3,592,548
Cash flows from investing activities:		
Purchase of capital assets	(2,301,859)	(5,058,492)
Purchase of noncurrent investments	(336,911)	(4,111)
Purchase of short-term investments	(2,976,727)	(3,755,805)
Sale of short-term investments	1,183,372	5,500,267
Net cash used in investing activities	(4,432,125)	(3,318,141)
Net increase (decrease) in cash	(447,576)	274,407
Cash at beginning of year	692,141	417,734
Cash at end of year	$ 244,565	692,141
Cash flows from operating activities:		
Operating income	804,082	204,884
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,498,737	3,424,513
Loss on disposition of asset	10,337	-
Changes in:		
Receivables	(236,331)	(103,010)
Prepaid expenses	(107,832)	(237,893)
Accounts payable and accrued expenses	280,553	352,210
Compensated absences	23,597	(526,975)
Deferred revenue	(697,266)	142,620
Postemployment benefits other than pension	509,786	336,325
Other liabilities	(101,114)	(126)
Net cash provided by operating activities	$ 3,984,549	3,592,548

See accompanying notes to financial statements.

(1) Organization

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(2) Summary of Significant Accounting Policies, Continued

(a) Basis of Presentation, Continued

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

(b) Budgetary Information

During the year ended March 31, 2014, RIOC did not request appropriations for the State of New York and, as such, a budget was not required to be adopted by law. Accordingly, budgetary information was not included in the notes to financial statements. However, the Board did approve an operating budget for management's internal use, and is included under supplementary information.

(c) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2014 and 2013:

		2014	2013
Cash - deposits	$	244,565	692,141
Short-term investments:			
Certificates of deposit (CDARS)		21,185,589	21,135,884
Money market accounts		20,655,734	18,912,085
		41,841,323	40,047,969
Total cash and short-term investments	$	42,085,888	40,740,110

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

The money market accounts are secured by collateral securities held in escrow by JP Morgan Chase Bank, NA and managed by the National Collateral Management Group with market values totaling $24,715,933 and $23,284,101 as of March 31, 2014 and 2013, respectively.

(2) Summary of Significant Accounting Policies, Continued

(c) Cash and Cash Equivalents, Continued

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

(d) Noncurrent Investments

This represents funds set aside to satisfy the obligation of the postemployment benefits other than pension under GASB Statement No. 45 and are invested in collateralized money market and CDARS.

(e) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported on the statement of assets in the accompanying financial statements. Capital assets are defined by RIOC as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

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

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

(2) Summary of Significant Accounting Policies, Continued

(f) Compensated Absences

It is RIOC's policy to accrue for unused absences for all full time employees. Accrued compensatory time as of March 31, 2014 and 2013 were $579,748 and $556,151, respectively.

(g) Unearned Revenue

Unearned revenue reported in the statement of net position represents amounts collected in advance for lease-related payments pertaining to subsequent fiscal years. These amounts will be recognized as income on an annual basis over a period of the remaining fifty-six years on the ground lease for the City of New York expiring in 2068 under the accrual basis of accounting.

Breakdown is as follows:

Buildings	Balance at April 1, 2013	Additions	Amortization	Balance at March 31, 2014
Octagon	$ 2,640,007	-	(47,353)	2,592,654
Southtown Bldg # 1	1,774,830	-	(31,836)	1,742,994
Southtown Bldg #2	1,693,572	-	(30,378)	1,663,194
Southtown Bldg #3	3,619,314	-	(64,920)	3,554,394
Southtown Bldg #4	4,718,776	-	(84,642)	4,634,134
Southtown Bldg #5	6,025,824	-	(108,086)	5,917,738
Southtown Bldg #6	9,274,938	-	(166,367)	9,108,571
Sportspark Field	163,683	-	(163,683)	-
Total	$ 29,910,944	-	(697,265)	29,213,679

(h) Public Purpose Grants

Included in "Other Expenses" are expenditures for public purpose grants totaling $275,000 per year for the years ended 2014 and 2013. The Roosevelt Island Youth Center was granted $175,000 each year to help fund operating expenses. The remaining grants of $100,000 are awarded to various Island-based not-for-profits that must apply each year and require Board approval.

(i) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

(3) Capital Assets

Capital assets for the year ended March 31, 2014 are summarized as follows:

Buildings	Balance at April 1, 2013	Increase	Decrease	Balance at March 31, 2014
Capital assets:				
Seawall	$ 3,725,049	264,776	-	3,989,825
Building and building improvements	42,006,797	937,176	-	42,943,973
Landmarks	14,049,173	167,841	-	14,217,014
Vehicles	4,395,262	2,261	(110,544)	4,286,979
Equipment	3,375,166	17,200	-	3,392,366
Infrastructure	51,790,208	884,440	-	52,674,648
Leasehold improvements	39,122	28,167	-	67,289
Total capital assets	119,380,777	2,301,861	(110,544)	121,572,094
Less accumulated depreciation:				
Seawall	(923,160)	(52,374)	-	(975,534)
Building and building improvements	(29,093,167)	(1,317,887)	-	(30,411,054)
Landmarks	(7,239,886)	(303,694)	-	(7,543,580)
Vehicles	(2,397,748)	(436,417)	100,206	(2,733,959)
Equipment	(2,905,508)	(192,520)	-	(3,098,028)
Infrastructure	(8,096,767)	(1,192,695)		(9,289,462)
Leasehold improvement	-	(3,150)	-	(3,150)
Total accumulated depreciation	(50,656,236)	(3,498,737)	100,206	(54,054,767)
Net capital assets	$ 68,724,541	(1,196,876)	(10,338)	67,517,327

(3) Capital Assets, Continued

Capital assets for the year ended March 31, 2013 are summarized as follows:

Buildings	Balance at April 1, 2012	Increase	Decrease	Balance at March 31, 2013
Capital assets:				
Seawall	$ 3,719,049	6,000	-	3,725,049
Building and building improvements	40,326,092	1,680,705	-	42,006,797
Landmarks	13,300,334	748,839	-	14,049,173
Vehicles	4,315,621	79,641	-	4,395,262
Equipment	3,276,243	98,923	-	3,375,166
Infrastructure	49,384,946	2,405,262	-	51,790,208
Leasehold improvements	-	39,122	-	39,122
Total capital assets	114,322,285	5,058,492	-	119,380,777
Less accumulated depreciation:				
Seawall	(872,159)	(51,001)	-	(923,160)
Building and building improvements	(27,874,765)	(1,218,402)	-	(29,093,167)
Landmarks	(6,949,173)	(290,713)	-	(7,239,886)
Vehicles	(1,962,257)	(435,491)	-	(2,397,748)
Equipment	(2,627,685)	(277,823)	-	(2,905,508)
Infrastructure	(6,945,684)	(1,151,083)	-	(8,096,767)
Total accumulated depreciation	(47,231,723)	(3,424,513)	-	(50,656,236)
Net capital assets	$ 67,090,562	1,633,979	-	68,724,541

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

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

(a) Residential Fees

The net present value (NPV) fee for Octagon and Southtown buildings # 1,2,3,4,5 and 6 were collected in advance and recognized over the term of the lease - see above section 2 (f) Unearned Revenue. Tax equivalent payments (TEP) are collected and recognized from Southtown buildings # 5, 6, and 7 over the term of the lease. Condo sales fees are collected and recognized upon closing of a sale. TEP and NPV are fixed and the Condo fees vary according to sales.

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

(b) Ground Rent

Ground rents are derived from ground subleases between RIOC and various developers of housing on Roosevelt Island. Most of the ground subleases expire in 2068, which coincides with the expiration of the master lease between RIOC and New York City, the owner of Roosevelt Island. Ground rents account for nearly 45% of annual revenues. The two main sources of ground rents are Manhattan Park and Roosevelt Landings (formerly Eastwood). The other streams of ground rents are from Southtown Buildings #1,2,3,4,5 and 6; Island House; Rivercross; and Octagon.

Manhattan Park - Under the terms of the ground sublease between RIOC and Roosevelt Island Associates dated August 4, 1986 and expiring in 2068, annual rent, which commenced on the Rent Commencement Date of January 1, 1991, consists of a base ground rent of $100,000 and additional fixed ground rent of $1,900,000, increasing $100,000 annually through December 31, 2011. As of January 1, 2012 and continuing through December 31, 2026, annual ground rent consists of the base ground rent of $100,000 and additional fixed ground rent of $4,000,000. Beyond 2026 until expiration in 2068, the ground rent is based upon the appraised value of the property times an applicable percentage, which is the market rate of return. Ground rents earned under the terms of the ground sublease were $4,100,000 year ended March 31, 2014, and the same amount, for the year ended March 31, 2013.

In addition to the ground rent mentioned above, RIOC received a percentage payment, which is based on a tiered percentage formula of Manhattan Park's gross income. As of January 1, 2012 and continuing through December 31, 2026, the percentage payment will increase by the excess of the applicable percentages of gross income over the sum of the prior year's fixed ground rent of $4,000,000 and percentage rent of $2,040,649. For the year ended March 31, 2014, the percentage rents earned was $2,040,649; and the same amount, $2,040,649, for the year ended March 31, 2013.

Roosevelt Landings (formerly Eastwood) - The ground sublease between RIOC and North Town Phase 1 Houses, Inc., dated March 15, 1972, was amended and restated with the base ground rent increasing to $1 million per year effective October 1, 2006, plus a percentage increase in accordance with annual rent rolls increases. Ground rents earned totaled $1,390,642 and $1,354,838 for the years ended March 31, 2014 and 2013, respectively.

Northtown Phase II Houses, Inc. (Island House) - The ground sublease between RIOC and North Town Phase II Houses, Inc., dated October 30, 1972, was amended with the base rent increasing from $136,000 to $236,000 per year effective January 01, 2013 - increasing by 10% on each 5^{th} anniversary for 30 years.

Ground rents for Southtowns Buildings # 1, 2, 3, 4 and for portion of Buildings # 5 and 6, as well as the Octagon were paid in advance and are reflected under note 2 paragraph (g) Unearned revenue. Rivercross paid $34,604 in accordance with the lease, and Westview paid nothing pursuant to the terms of the lease.

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

(c) Commercial Rent

On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC to redevelop, improve, market, lease and professionally operate the Commercial Retail Spaces controlled by RIOC. Hudson Related Retail LLC will pay RIOC an annual guaranteed rent of $900,000 plus participation in the profits of Hudson Related Retail LLC. According to its certified financial statements as of December 31, 2013, Hudson Related Retail LLC invested $2,441,628 and incurred a loss of ($292,892). According to the agreement, RIOC will share future profits 50/50 once HRR is paid back its investment. In addition, RIOC entered into a license with HCK Recreation, Inc. ("HCK") on November 16, 1989 for the operation of a tennis facility, which was amended three times with the latest amendment requiring HCK to pay the greater of $250,000 per annum or 10% of gross receipts for the period May 1, 2011 to April 30, 2016. Furthermore, on January 15, 2002, RIOC entered into an agreement with The Child School ("School") to develop and operate the School. The agreement requires the School to pay $275,000 per annum with an escalation in an amount equal to the percentage increase in the State's Education Department tuition reimbursement received by the School.

(d) Tramway Revenue

During February 2004, RIOC entered into an agreement with The New York Transit Authority (NYCTA) for revenue collection from the Tramway. In the agreement, RIOC receives from the NYCTA a fare of $2.00 for all swipes of full-fare Metro Cards, including transfers, in turnstiles located in RIOC's tram stations. The funds are transmitted to RIOC via electronic funds transfer and the NYCTA supplies appropriate reports for the reconciliation of the revenue and rider-ship. There is a franchise fee expense associated with this agreement that is ½ of 1 percent of gross sales. Tramway revenues were $5,117,937 and $4,640,843 for fiscal year ending March 31, 2014 and 2013, respectively.

(e) Public Safety Reimbursement

The intent of the initial agreements with the four original Mitchell-Lama housing projects (the "WIRE Projects") was for RIOC to recoup approximately 50% of the cost of maintaining a public safety department on the Island. Accordingly, no less than 50% of such costs have been reimbursed by the WIRE Projects and are included in public safety reimbursement on the accompanying statements of revenues, expenses, and changes in fund net position. Additionally, Manhattan Park, Southtown and the Octagon projects are responsible for their respective share of the cost of RIOC's public safety department. Public safety reimbursements were $1,743,828 and $1,673,097 for fiscal year ending March 31, 2014 and 2013, respectively.

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

(f) Transportation and Parking Fees

The Motorgate Garage, the Roosevelt Island parking facility, is managed by an agent, Central Parking System ("Central"). This agreement is cancelable by RIOC on 30-day notice and by Central on 180-day notice. Central collects the parking fees and pays the operating costs in connection with the management of the garage. The excess of parking revenues over operating costs is returned to RIOC. RIOC shares the Motorgate revenue with Roosevelt Island Associates, operator of Manhattan Park, with RIOC receiving 61% of the net income. RIOC's share of Motorgate revenues totaled $1,871,690 and $1,919,258 for the years ended March 31, 2014 and 2013, respectively.

Transportation revenues from the provision of bus services totaled $458,562 and $451,054 for the years ended March 31, 2014 and 2013, respectively. The cost of running the bus service totaled $1,570,065 and $1,608,268 for the same respective periods. Additionally, revenues from street parking meters for these periods totaled $138,982 and $151,580.

(g) Interest and Other Revenues

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

(h) De-designation Fee Income

The Development Agreement for Southtown buildings ("Buildings") seven (7) through nine (9) between Hudson Related Joint Venture ("Developer") and RIOC included a contingent de-designation (cancellation of project or portion of) fee of $2,438,400. The Development Agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of $2,438,400 maturing on August 15, 2014, to be renewed annually. The Building 7 Lease was closed on October 10, 2013 and construction is in progress. The Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. In the event that the Developer fails to close a Building lease in accordance with the foregoing schedule, except if due to RIOC, RIOC may draw the entire balance of the Guaranty Letter of Credit and apply same at its sole discretion, and in addition thereto, at its sole option, de-designate Developer for each such Building and for the remainder of the Building.

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

(i) Future Minimum Payments Due

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

Years ending March 31	Housing Companies	Commercial Leases
2015	$ 12,060,109	1,495,366
2016	13,502,197	1,525,806
2017	13,830,901	1,581,969
2018	15,415,902	1,613,874
2019	15,795,020	1,876,539
Total	$ 70,604,129	8,093,554

(5) Management Agreements

The Roosevelt Island Tramway System is operated by Leitner-Poma of America, Inc., a subsidiary of Pomagalski S.A, the designer and builder of the modernized Tramway system, which went into operation on November 30, 2010. RIOC entered into a 5-year fixed fee operating agreement at a minimal annual cost of $3,397,200 plus certain operating costs associated with operation of the Tramway System. This agreement will be renegotiated in 2014.

RIOC also has a parking management agreement with Central Parking System ("Central") for the management of Motorgate Garage. This agreement is cancelable by RIOC on 30-day notice and by Central on 180-day notice. RIOC pays a minimal annual management fee of $40,000 and certain operating costs in connection with the management of the garage.

(6) Income Taxes

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

(7) Retirement Plans

Retirement plans in which RIOC contributes are detailed as follows:

(a) Non-Union Employees

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

Funding Policy

ERS is contributory (3%) except for employees who joined the System before July 27, 1976. Employees who joined the System after July 27, 1976, but prior to January 1, 2011, and have been members of the System for at least ten years, or have at least ten years of credited service are not required to contribute 3% of their salaries. Employee hired after January 1, 2011 shall contribute 3% of salary for the duration of employment. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund.

New York State Employees Retirement System (NYSERS) eligibility requirements:

Tier 1 (Member before July 1, 1973):

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

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

a. For reduced pension benefits: Age 55 with 5 years of service.
b. For full pension benefits: Age 55 with 30 years of service or age 62 with 20 years of service.

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

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

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

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

(7) Retirement Plans, Continued

RIOC is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were approximately:

March 31, 2012	$ 639,065
March 31, 2013	$ 583,380
March 31, 2014	$ 540,970

RIOC has made the required contributions for each year.

(b) Union Employees

Union employees participate in separate defined contribution plans, which are administered by each union. RIOC contributed $295,675 and $188,730 for the years ended March 31, 2014 and 2013, respectively, to union employees' defined contribution plans.

(8) Risk Management

RIOC purchases commercial insurance policies to adequately protect against potential loss stemming from general liability, vehicle liability, property damage, and public officials and employee liability. Coverages for the forthcoming fiscal year ended March 31, 2015 were appropriately increased to provide adequate protection for RIOC as follows:

Coverages	2014-2015 Coverage Amount
General liability - RIOC and Tram	$125 million limit
Property	$75 million loss limit
Boiler and machinery	$100 million limit
Automobile	$1 million limit
Public officials liability	$5 million limit

(9) Commitments and Contingencies

Commitments and contingencies at March 31, 2014 and 2013 are detailed as follows:

(a) Leases

RIOC has agreements with four (4) housing companies operating on the Island to sublease commercial space occupied by the housing companies. Rent expense for the years ended March 31, 2014 and 2013 were approximately $86,000 per year.

(b) Litigation

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

(9) Commitments and Contingencies, Continued

(c) Prior Years' New York State Appropriations

The Office of the State Comptroller of the State of New York, requested confirmation of the following potential liabilities:

Appropriation # 0060083	fiscal year 89/90	$ 1,299,964
Appropriation # 0066230	fiscal year 90/91	2,463,531
Appropriation# 0071968	fiscal year 91 /92	2,702,481
Appropriation # 0078460	fiscal year 92/93	1,346,400
Appropriation # 0084266	fiscal year 93/94	1,648,254
		$ 9,460,630

The appropriations were made to RIOC for "services and expenses related to the development and operation of Roosevelt Island". Furthermore, the appropriations required RIOC "for repayment by such corporation to the State of New York of an amount equal to any receipts collected by the corporation during the fiscal year beginning April 1, 1989 in excess of the amount that the director of the budget estimates that the corporation will receive during the fiscal year." RIOC's records indicate that it satisfied the repayment requirements of the appropriations; and it doesn't owe any monies to the State of New York for appropriations made during the fiscal years 89/90 to 93/94.

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

On August 3rd, 1988 ESD and RIOC entered into an agreement in the sharing of all revenues derived by RIOC in order for ESD to recover it's investment in Roosevelt Island. The total amount invested in developing the Roosevelt Island infrastructure and funding of ESD's operating deficits prior to the assignment of operations to RIOC amounted to $170,356,976 along with a stated interest rate of 5.74%. The agreement calls for revenues to be allocated in the following manner; (1) RIOC Operating Expenditures, (2) All Other State Subsidies, (3) State (RIOC) Capital Investments and (4) ESD Debt. To date, no revenues have been allocated for the ESD debt other than "Tax Equivalency Payments" ("TEP") payments for the islands original affordable "Mitchell-Lama" buildings. ESD has acknowledged that there are significant projected future capital investments to be made by RIOC.

(10) Postemployment Benefits Other Than Pensions

The Corporation implemented the accounting and disclosure requirements of GASB Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB) effective for its fiscal year beginning April 1, 2007.

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

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

Total expenditures charged to operations for the years ended March 31, 2014 and 2013 amounted to $637,017 and $457,950, respectively. At March 31, 2014, the liability for active and retired employees included in non-current accrued fringe benefits amounted to $2,892,456.

The number of participants as of January 1, 2014 was as follows:

Active employees	36
Retired employees	12
Spouses of retired employees	4
Total	52

Funding Policy - The Corporation currently pays for post-retirement health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue. The funds set aside for this purpose are discussed in note 2(d), but a trust has not been established. Currently, OPEB trusts are not allowed in New York State.

Benefit Obligations and Normal Cost	2014	2013
Actuarial accrued liability (AAL):		
Actuarial accrued liability	$ 6,636,223	4,879,082
Less: Actuarial value of assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 6,636,223	4,879,082
Normal cost	$ 364,808	261,151

(10) Postemployment Benefits Other Than Pensions, Continued

Annual OPEB Cost and Net OPEB Obligation	2014	2013
Annual required contribution	$ 640,408	455,051
Interest on net OPEB obligation	95,307	81,854
Adjustment to annual required contribution	(98,698)	(78,955)
Annual OPEB cost (expense)	637,017	457,950
Contribution made on a pay-as-you-go basis	(127,230)	(121,625)
Increase in net OPEB obligation	509,787	336,325
Net OPEB obligation at beginning of year	2,382,669	2,046,344
Net OPEB obligation at end of year	$ 2,892,456	2,382,669

Actuarial methods and assumptions:

Valuation method	Projected Unit Credit Method
Amortization period	30 years
Amortization method	Level percent of pay, open group
Interest rate	4.0%
Inflation rate	3.0%
Annual payroll growth rate	3.5%
Retirement rates	Later of age 65 and first eligibility

Healthcare cost trend:

Year	Medical Trend Rate
2013	5.7%
2014	10.8%
2015	6.1%
2016	5.5%
2020	5.4%
2030	5.5%
2040	5.5%
2050	5.1%
Ultimate	4.2%

(11) Pollution Remediation Obligations

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

(12) Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 67 - "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25" replaces existing standards of financial reporting and notes disclosures for most pension plans that are administered through trusts or equivalent arrangements. The provisions of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning April 1, 2014 for RIOC. This statement is not expected to have a material effect on the financial statements of the Corporation.
- GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27" replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The provisions of this statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning April 1, 2015 for RIOC. Management has not yet determined the effect, if any, that this statement will have on the future financial statements of RIOC.
- GASB Statement No. 69 - "Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards for government mergers, acquisitions, and disposals. The Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this Statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning April 1, 2014 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.
- GASB Statement No. 70 - "Accounting and Financial Reporting for Nonexchange Financial Guarantees" improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning April 1, 2014 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

(12) Accounting Standards Issued But Not Yet Implemented, Continued

- GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" addresses an issue regarding application of the transition provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions." This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this statement are effective for the same period that the entity implements GASB Statement No. 68. Management is in the process of evaluating the potential impact due to the implementation of this statement on the financial statements of the Corporation.

(13) Subsequent Events

It is RIOC's understanding that as of March 27, 2014, Rivercross Tenants Corp. ("Housing Company") has exited the Mitchell-Lama program. An amendment to the restated ground lease, which extended the term until 2068, call for the financial terms to be calculated in accordance with the section 4, 5 and 6 as follows:

Section 4. In the event that Housing Company is no longer a Mitchell-Lama development under Article II of the PHFL and subject to the supervision and direction of the Commissioner of HCR, but leaves the Mitchell-Lama program under an affordability plan approved by the Commissioner of HCR, the Residential Ground Rent and Commercial Ground Rent payable under the Restated Ground Lease shall be as agreed to at such time. If Housing Company leaves the Mitchell-Lama program, the parties shall also agree as to payments to RIOC in lieu of mortgage recording tax or sales and compensating use taxes on construction materials incorporated into Housing Company's property if Housing Company is able to obtain an exemption from or abatement of such taxes due to RIOC's status.

Section 5. In the event that Housing Company is no longer a Mitchell-Lama development under Article II of the PHFL and subject to the supervision and direction of the Commissioner of HCR, but leaves the Mitchell-Lama program under a plan which has not been approved as an affordability plan by the Commissioner of HCR, the Financial Terms (as defined in the succeeding sentence) of the Restated Ground Lease shall be adjusted based on the form of conversion Housing Company utilizes in leaving the Mitchell-Lama program. The "Financial Terms" of the Restated Ground Lease shall be adjusted to achieve a market rate rent, and shall include escalating to market rate the Residential Ground Rent and the Commercial Ground Rent, as well as imposing other fees and charges that RIOC then typically receives for similarly structured non-Mitchell-Lama residential properties. Such fees and other charges shall include, but not be limited to, capital event fees for building sales and refinancing and transfer fees for the sale of cooperative and condominium units,

(13) Subsequent Events, Continued

and payments to RIOC in lieu of mortgage recording tax or sales and compensating use taxes on construction materials incorporated into Housing Company's property if Housing Company is able to obtain an exemption from or abatement of such taxes due to RIOC's status. If the parties are unable to reach agreement on any of the Financial Terms to be negotiated between the parties, such dispute shall be resolved in accordance with the provisions of Paragraph 6 below. Paragraphs 4, 5 and 6 of this Agreement are applicable only to the determination of the Financial Terms payable to RIOC and are not applicable to such portion of the Basic Rent allocated to the UDC pursuant to the RAA or to the determination of the "tax equivalent" payments set forth in subparagraph 1 *(y)* and 2 *(y)* of Paragraph 5(A) of the Restated Ground Lease. The "tax equivalent" payments shall be payable as provided in paragraph 6 *(c)* of the Restated Ground Lease as same has been amended by paragraph 3 of this Amendment.

Section 6. If the parties are unable to reach agreement on the renegotiated Financial Terms, as set forth in paragraph 5 above, by no later than sixty days prior to the effective date Housing Company is leaving the Mitchell-Lama program, the dispute shall be settled by arbitration in the City of New York before the American Arbitration Association (or, if such Association is no longer in existence, such other organization as is its successor). The following procedure shall apply:

(a) Each party shall appoint an independent person of recognized competence in the field involved as an arbitrator and notify the other party of such appointment within twenty days after notice by one such party to the other to make an appointment. If either party fails to timely make an appointment and notify the other party of the arbitrator appointed, then the arbitrator appointed by the party which has not so failed shall appoint an independent arbitrator for and on behalf of the party so failing, and shall give notice of such appointment to the failing party within twenty days after such failure by the other party to appoint.

(b) The arbitrators shall meet as promptly as practicable in an effort to resolve the dispute. If the arbitrators are unable to reach agreement within thirty days after having been appointed; they shall appoint a third arbitrator to act as an umpiring arbitrator, who shall resolve the matter in dispute. If the two arbitrators cannot agree on a third arbitrator within ten days after notice from one arbitrator to the other, the umpiring arbitrator shall be appointed by the presiding justice of the Appellate Division of the Supreme Court of the State of New York, First Department, or if for any reason such presiding justice does not make the appointment, then by the President of the Bar Association of the City of New York.

(c) If any arbitrator who has been appointed fails, refuses or is unable to act in such capacity, a new arbitrator shall be appointed in his or her place, which appointment shall be made in the same manner as set forth above.

(13) Subsequent Events, Continued

(d) The arbitrators shall conduct such hearings as they deem appropriate. RIOC and the Housing Company shall each be entitled to present evidence and argument to the arbitrators and shall have the right to participate in all arbitration proceedings in order to protect their rights. The umpiring arbitrator shall only select the determination of either RIOC's or the Housing Company's arbitrator, and shall render his or her decision in writing. In rendering a decision, the arbitrator shall have the right only to interpret and apply the terms of the Restated Ground Lease, as amended by this First Amendment, and may not vary, modify or amend any provision of the Restated Ground Lease.

(e) Each party shall pay the costs and expenses of their own arbitrator and shall share equally the cost of the umpiring arbitrator and all other arbitration expenses.

(f) A determination made by arbitration pursuant to this paragraph shall be final and binding upon the parties. If a final determination is made after the date the Housing Company leaves the Mitchell-Lama program, such determination shall be applied retroactively to the date of such exit, and, if as a result of the determination, the Housing Company owes any additional sums, it shall pay the party entitled to receive such sums within thirty days after the date the parties are notified of the arbitrator's final determination.

Final disposition is yet to be determined.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Schedule of Operations by Department
Year ended March 31, 2014

	General Fund	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram	Public purpose fund	Capital fund	Reserved fund	Total
	General Fund										
Revenue:											
Residential fees	$ 488,076	488,076	-	-	-	-	-	-	364,990	201,586	1,054,652
Ground rent	10,119,864	10,119,864	-	-	-	-	-	-	400,000	-	10,519,864
Commercial rent	1,434,674	1,434,674	-	-	-	-	-	-	-	-	1,434,674
Tramway revenue	5,117,937	-	-	-	-	-	5,117,937	-	-	-	5,117,937
Public safety reimbursement	1,743,828	-	1,743,828	-	-	-	-	-	-	-	1,743,828
Transportation and parking	2,469,234	-	-	458,562	2,010,672	-	-	-	-	-	2,469,234
Interest income	5,749	5,749	-	-	-	-	-	2	1,876	150,270	157,897
Unrealized gain (loss)	-	-	-	-	-	-	-	-	(6,875)	-	(6,875)
Other revenue	1,104,238	362,611	-	-	-	741,627	-	-	-	-	1,104,238
Total revenue	22,483,600	12,410,974	1,743,828	458,562	2,010,672	741,627	5,117,937	2	759,991	351,856	23,595,449
Expenses:											
Personal services:											
Salaries	6,511,432	3,155,765	1,981,121	907,029	-	467,517	-	-	-	-	6,511,432
Temporary employees	180,795	180,795	-	-	-	-	-	-	-	-	180,795
Employee benefits	3,414,609	2,206,980	723,557	326,968	-	157,104	-	-	-	-	3,414,609
Compensated absences	23,597	23,597	-	-	-	-	-	-	-	-	23,597
Total personal services	10,130,433	5,567,137	2,704,678	1,233,997	-	624,621	-	-	-	-	10,130,433
Other than personal services:											
Insurance	1,433,013	1,283,013	-	-	-	-	150,000	-	-	-	1,433,013
Professional services	1,193,957	907,365	243,090	-	-	42,985	517	-	-	-	1,193,957
Management fees	4,101,573	-	-	-	640,165	-	3,461,408	-	-	-	4,101,573
Legal services	206,782	206,782	-	-	-	-	-	-	-	-	206,782
Telecommunications	103,010	103,010	-	-	-	-	-	-	-	-	103,010
Island improvements/capital plan	6,000	6,000	-	-	-	-	-	-	-	-	6,000
Repairs and maintenance	346,706	240,362	12,047	12,858	29,854	16,119	35,466	-	-	-	346,706
Vehicles maintenance	351,700	47,597	22,747	280,672	-	684	-	-	-	-	351,700
Equipment purchases/lease	54,464	46,761	3,955	(317)	-	-	4,065	-	-	-	54,464
Supplies/services	975,482	469,370	69,171	39,570	61,426	153,981	181,964	-	-	-	975,482
Other expenses	130,562	66,435	5,717	3,286	-	55,124	-	258,948	-	-	389,510
Total other than personal services	8,903,249	3,376,695	356,727	336,069	731,445	268,893	3,833,420	258,948	-	-	9,162,197
Total operating expenses, excluding depreciation	19,033,682	8,943,832	3,061,405	1,570,066	731,445	893,514	3,833,420	258,948	-	-	19,292,630
Operating income (loss) before depreciation	3,449,918	3,467,142	(1,317,577)	(1,111,504)	1,279,227	(151,887)	1,284,517	(258,946)	759,991	351,856	4,302,819
Depreciation expense	-	-	-	-	-	-	-	-	3,498,737	-	3,498,737
Operating income (loss)	$ 3,449,918	3,467,142	(1,317,577)	(1,111,504)	1,279,227	(151,887)	1,284,517	(258,946)	(2,738,746)	351,856	804,082

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Schedule of Operations by Department
Year ended March 31, 2013

	General Fund										
	General Fund	Operations	Public safety	Transportation	Parking	Parks/Rec.	Tram	Public purpose fund	Capital fund	Reserved fund	Total
Operating revenue:											
Residential fees	$ 369,739	369,739	-	-	-	-	-	-	540,116	201,586	1,111,441
Ground rent	9,356,679	9,356,679	-	-	-	-	-	-	-	-	9,356,679
Commercial rent	1,421,038	1,421,038	-	-	-	-	-	-	-	-	1,421,038
Tramway revenue	4,640,843	-	-	-	-	-	4,640,843	-	-	-	4,640,843
Public safety reimbursement	1,673,097	-	1,673,097	-	-	-	-	-	-	-	1,673,097
Transportation and parking	2,521,892	-	-	451,054	2,070,838	-	-	-	-	-	2,521,892
Interest income	7,108	7,108	-	-	-	-	-	6	1,452	176,837	185,403
Other revenue	959,317	313,918	-	-	-	645,399	-	-	-	-	959,317
Total operating revenue	20,949,713	11,468,482	1,673,097	451,054	2,070,838	645,399	4,640,843	6	541,568	378,423	21,869,710
Operating expenses:											
Personal services:											
Salaries	6,522,815	3,057,350	2,035,023	947,221	-	483,221	-	-	-	-	6,522,815
Temporary employees	172,553	153,942	-		-	18,611	-	-	-	-	172,553
Employee benefits	3,170,407	1,986,190	678,180	320,646	-	185,391	-	-	-	-	3,170,407
Compensated absences	142,620	142,620	-	-	-	-	-	-	-	-	142,620
Total personal services	10,008,395	5,340,102	2,713,203	1,267,867	-	687,223	-	-	-	-	10,008,395
Other than personal services:											
Insurance	1,137,448	987,448	-	-	-	-	150,000	-	-	-	1,137,448
Professional services	423,664	364,345	-	-	-	59,319	-	-	-	-	423,664
Management fees	4,074,439	-	-	-	638,120	-	3,436,319	-	-	-	4,074,439
Legal services	247,161	247,161	-	-	-	-	-	-	-	-	247,161
Telecommunications	115,623	115,623	-	-	-	-	-	-	-	-	115,623
Island improvements/capital plan	7,000	7,000	-	-	-	-	-	-	-	-	7,000
Repairs and maintenance	281,689	241,993	6,892	9,896	(1,545)	12,501	11,952	-	-	-	281,689
Vehicles maintenance	350,663	42,406	34,535	272,632	-	1,090	-	-	-	-	350,663
Equipment purchases/lease	73,481	62,513	773	6,985	-	1,856	1,354	-	-	-	73,481
Supplies/services	1,051,650	494,734	90,738	47,911	73,556	163,037	181,674	-	-	-	1,051,650
Other expenses	193,517	92,898	14,218	2,977	-	83,354	70	275,583	-	-	469,100
Total other than personal services	7,956,335	2,656,121	147,156	340,401	710,131	321,157	3,781,369	275,583	-	-	8,231,918
Total operating expenses, excluding depreciation	17,964,730	7,996,223	2,860,359	1,608,268	710,131	1,008,380	3,781,369	275,583	-	-	18,240,313
Operating income (loss) before depreciation	2,984,983	3,472,259	(1,187,262)	(1,157,214)	1,360,707	(362,981)	859,474	(275,577)	541,568	378,423	3,629,397
Depreciation expense	-	-	-	-	-	-	-	-	3,424,513	-	3,424,513
Operating income (loss)	$ 2,984,983	3,472,259	(1,187,262)	(1,157,214)	1,360,707	(362,981)	859,474	(275,577)	(2,882,945)	378,423	204,884

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Budget Variance Report
For the year ended March 31, 2014

	Actual	Budget	Favorable (Unfavorable) Variance	Favorable (Unfavorable) Percent
Revenue:				
Residential fees revenue	$1,054,652	1,028,000	26,652	3%
Ground rent	10,519,864	10,057,000	462,864	5%
Commercial rent	1,434,674	1,466,000	(31,326)	-2%
Tramway revenue	5,117,937	4,350,000	767,937	18%
Public safety reimbursement	1,743,828	1,712,000	31,828	2%
Transport/parking revenue	2,469,234	2,745,000	(275,766)	-10%
Interest income	157,897	211,000	(53,103)	-25%
Unrealized gain (loss)	(6,875)	-	(6,875)	0%
Other revenue	1,104,238	754,000	350,238	46%
Total revenue	23,595,449	22,323,000	1,272,449	6%
Expenses:				
Personal services (PS) :				
Salaries	6,258,144	6,561,694	303,550	5%
Salaries OT	253,288	175,000	(78,288)	-45%
Temporary employees	180,795	175,000	(5,795)	-3%
Workers compensation and disability	182,167	162,202	(19,965)	-12%
ER payroll taxes	582,366	596,308	13,942	2%
Health insurance	1,134,576	1,332,136	197,560	15%
Dental/vision	68,962	75,402	6,440	9%
Pension	757,651	843,708	86,057	10%
Other employee benefits	688,887	480,115	(208,772)	-43%
Compensated absences expenses	23,597	-	(23,597)	-100%
Total personal services (PS)	10,130,433	10,401,565	271,132	3%
Other than personal services (OTPS) :				
Insurance	1,433,013	1,200,000	(233,013)	-19%
Professional services	1,191,410	478,000	(713,410)	-149%
Marketing/advertising	2,547	29,000	26,453	91%
Management fees	4,101,573	4,102,000	427	0%
Legal services	206,782	375,000	168,218	45%
Telecommunications	103,010	125,000	21,990	18%
Island improvements - capital plan	6,000	12,000	6,000	0%
Repairs and maintenance	255,790	413,000	157,210	38%
Repairs and maintenance equipment	35,518	28,000	(7,518)	-27%
Other repairs and maintenance	55,398	120,000	64,602	54%

(Continued)

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

	Actual	Budget	Favorable (Unfavorable) Variance	Favorable (Unfavorable) Percent
Vehicles gas	$ 201,379	167,000	(34,379)	-21%
Vehicles repair and maintenance	88,213	81,000	(7,213)	-9%
Vehicles parts	62,108	57,000	(5,108)	-9%
Equipment lease	25,564	24,000	(1,564)	-7%
Office equipment purchase	5,376	20,000	14,624	73%
Equipment purchases	17,044	60,000	42,956	72%
Other equipment purchases	6,480	12,000	5,520	46%
Exterminator	18,620	17,000	(1,620)	-10%
Uniforms	36,266	68,000	31,734	47%
Light, power, heat	601,940	642,000	40,060	6%
Water and sewer	39,094	12,000	(27,094)	-226%
Office supplies	15,259	19,000	3,741	20%
Parts and supplies	225,394	212,000	(13,394)	-6%
Service maintenance agreement	38,909	80,000	41,091	51%
Employee travel and meal	3,829	3,200	(629)	-20%
Employee training	7,029	64,400	57,371	89%
Shipping	13,630	11,000	(2,630)	-24%
Subscriptions/membership	12,102	8,400	(3,702)	-44%
Other expenses	298,745	331,000	32,255	10%
Island events - community relations	54,175	85,000	30,825	36%
Total other than personal services (OTPS)	9,162,197	8,856,000	(306,197)	-3%
Total expenses	19,292,630	19,257,565	(35,065)	0%
Operating income before depreciation	4,302,819	3,065,435	1,237,384	40%
Depreciation expenses	3,498,737	3,649,000	150,263	4%
Net surplus (deficit)	$ 804,082	(583,565)	1,387,647	238%

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Budget Variance Report
For the year ended March 31, 2013

	Actual	Budget	Favorable (Unfavorable) Variance	Percent
Revenue:				
Residential fees revenue	$1,111,441	1,239,509	(128,068)	-10%
Ground rent	9,356,679	9,453,000	(96,321)	-1%
Commercial rent	1,421,038	1,437,000	(15,962)	-1%
Tramway revenue	4,640,843	4,147,000	493,843	12%
Public safety reimbursement	1,673,097	1,662,000	11,097	1%
Transport/parking revenue	2,521,892	2,691,000	(169,108)	-6%
Interest income	185,403	291,000	(105,597)	-36%
Other revenue	959,317	703,000	256,317	36%
Total revenue	21,869,710	21,623,509	246,201	1%
Expenses:				
Personal services (PS) :				
Salaries	6,290,604	6,432,486	141,882	2%
Salaries OT	232,211	175,000	(57,211)	-33%
Temporary employees	172,553	175,000	2,447	1%
Workers compensation and disability	128,234	162,133	33,899	21%
ER payroll taxes	582,080	584,603	2,523	0%
Health insurance	1,111,071	1,275,238	164,167	13%
Dental/vision	68,124	74,777	6,653	9%
Pension	772,110	757,755	(14,355)	-2%
Other employee benefits	508,788	476,722	(32,066)	-7%
Compensated absences expenses	142,620	-	(142,620)	-100%
Total personal services (PS)	10,008,395	10,113,714	105,319	1%
Other than personal services (OTPS) :				
Insurance	1,137,448	1,150,000	12,552	1%
Professional services	406,600	320,900	(85,700)	-27%
Marketing/advertising	17,064	17,400	336	2%
Management fees	4,074,439	4,077,200	2,761	0%
Legal services	247,161	200,000	(47,161)	-24%
Telecommunications	115,623	107,100	(8,523)	-8%
Island improvements - capital plan	7,000	-	(7,000)	0%
Repairs and maintenance	169,451	402,200	232,749	58%
Repairs and maintenance equipment	14,019	25,200	11,181	44%
Other repairs and maintenance	98,219	105,000	6,781	6%

(Continued)

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

	Actual	Budget	Favorable (Unfavorable) Variance	Percent
Vehicles gas	$ 208,240	168,300	(39,940)	-24%
Vehicles repair and maintenance	76,406	83,600	7,194	9%
Vehicles parts	66,017	37,200	(28,817)	-77%
Equipment lease	28,980	16,400	(12,580)	-77%
Office equipment purchase	12,067	19,800	7,733	39%
Equipment purchases	23,324	53,600	30,276	56%
Other equipment purchases	9,110	18,000	8,890	49%
Exterminator	9,800	17,100	7,300	43%
Uniforms	46,241	66,950	20,709	31%
Light, power, heat	650,696	588,000	(62,696)	-11%
Water and sewer	45,797	8,600	(37,197)	-433%
Office supplies	14,819	17,100	2,281	13%
Parts and supplies	232,665	210,700	(21,965)	-10%
Service maintenance agreement	51,632	70,500	18,868	27%
Employee travel and meal	8,229	17,500	9,271	53%
Employee training	27,783	56,400	28,617	51%
Shipping	8,763	13,400	4,637	35%
Subscriptions/membership	18,043	15,700	(2,343)	-15%
Other expenses	324,159	338,200	14,041	4%
Island events - community relations	82,123	85,000	2,877	3%
Total other than personal services (OTPS)	8,231,918	8,307,050	75,132	1%
Total expenses	18,240,313	18,420,764	180,451	1%
Operating income before depreciation	3,629,397	3,202,745	426,652	13%
Depreciation expenses	3,424,513	3,577,000	152,487	4%
Net surplus (deficit)	$ 204,884	(374,255)	579,139	155%

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Roosevelt Island Operating Corporation:

We have audited in accordance with 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 Roosevelt Island Operating Corporation ("RIOC"), a component unit of the State of New York, as of and for the year ended March 31, 2014, and the related notes to financial statements, which collectively comprise RIOC's basic financial statements, and have issued our report thereon dated June 18, 2014.

Internal Control Over Financial Reporting

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

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 RIOC's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIOC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

This report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIOC's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering RIOC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 18, 2014

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH INVESTMENT GUIDELINES

The Board of Directors
Roosevelt Island Operating Corporation:

Report on Investment Program Compliance

We have audited the Roosevelt Island Operating Corporation's ("RIOC"), a component unit of the State of New York, compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended March 31, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of RIOC's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; and, the State of New York Investment Guidelines for Public Authorities. Those standards and the State of New York Comptroller's Investment Guidelines for Public Authorities require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about RIOC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the investment program. However, our audit does not provide a legal determination of RIOC's compliance.

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Opinion on Investment Program

In our opinion, the Roosevelt Island Operating Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended March 31, 2014.

Report on Internal Control over Compliance

Management of RIOC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RIOC's internal control over compliance with the types of requirement that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RIOC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 18, 2014

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

The Board of Directors
Roosevelt Island Operating Corporation:

In planning and performing our audit of the financial statements of Roosevelt Island Operating Corporation (RIOC) as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, we considered RIOC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIOC's internal control. Accordingly, we do not express an opinion on the effectiveness of RIOC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Toski & Co., CPAs, P.C.

Williamsville, New York
June 18, 2014