

December 18, 2013

New York State Authority Budget Office
P.O. Box 2076
Albany, NY 12220-0076

Dear NYS Authority Budget Office,

Pursuant to New York Public Authorities Act § 16 (New York State Public Authorities Law §§ 2800(2)(a), 2802(2), and 2896(3)(a) and (b)), The Governors Island Corporation d/b/a The Trust for Governors Island ("The Trust") is hereby making its Annual Report, Independent Audit Report and Property Disposal Report for Fiscal Year 2013.

Operations and Accomplishments During FY 2013
Projects Undertaken During FY 2013

See The Trust's website at www.govisland.com.

Receipts and Disbursements During FY 2013
Assets and Liabilities as of End of FY 2013

See The Trust's financial statements for fiscal year 2013 posted on The Trust's website. These financial statements have been reviewed by The Trust Audit Committee on September 24, 2013, and by The Trust Board of Directors at its October 10, 2013 meeting.

Bonds and Notes Outstanding as of the End of FY 2013

None.

Real Property Owned and Disposed of During FY 2013

The Trust had no real property disposals during FY 2013.

Code of Ethics

See Code of Ethics attached hereto as Exhibit A.

Assessment of the Effectiveness of Internal Control Structure and Procedures

See Management Letter, attached hereto as Exhibit B. The Management Letter was provided to The Trust's auditors in connection with the audit of The Trust's financial statements from fiscal year 2013 in which the auditors state that there were no issues with The Trust's internal controls.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paul Kelly".

Paul Kelly
General Counsel

Cc: Leslie Koch, President
Willa Padgett, CF

Exhibit A

GOVERNORS ISLAND CORPORATION d/b/a The TRUST FOR GOVERNORS ISLAND

CODE OF ETHICS FOR DIRECTORS AND OFFICERS Board of Directors Meeting October 13, 2010

I. INTRODUCTION AND PURPOSE

The Board of Directors ("Board") of Governors Island Corporation d/b/a The Trust for Governors Island (the "Corporation") has adopted this code of ethics ("Code") with respect to its directors and officers (collectively, the "Directors"). This Code is intended to promote (a) honest and ethical conduct, including the proper handling of actual or apparent conflicts of interest between personal and professional relationships, and (b) full, fair and understandable disclosure in the periodic reports required to be filed hereby. This Code (a) provides examples of situations involving conflicts of interest; (b) establishes disclosure procedures; and (c) outlines corrective action for violations. It is vitally important to the public trust that both the fact and the appearance of conflicting interests and improper corporate conduct be avoided. Each Director will be expected to read and understand this Code and to review it periodically in order to be alert to situations that could create a conflict of interest or otherwise be contrary to the established policies of the Corporation.

II. GUIDELINES

A. Prohibition. A Director may not make personal investments in enterprises that he or she has reason to believe may be directly involved in decisions to be made by him or her, in his or her capacity as Director of the Corporation, or that will otherwise create substantial conflict between his or her duty in the public interest and his or her private interest. Additionally, a Director is prohibited from accepting employment that impairs his or her independence of judgment in the exercise of his or her official duties.

B. Personal Interest. A Director shall be deemed to be "interested" in cases in which the Director's personal interest conflicts with the interest of the Corporation. The following are situations in which a Director would be deemed to be "interested", which list is not intended to be exhaustive:

- Where a Director or a member of his or her immediate family¹ is a member, director, owner² or officer of an entity from which the Corporation purchases services or supplies.

¹ Immediate family means a spouse, domestic partner, unemancipated child, and if they live with the Director, parent or sibling.

² Owner means a person having an interest in an entity that exceeds 5% of the entity or an investment of \$35,000 in cash or other form of commitment, whichever is less, or 5% or \$35,000 of the entity's indebtedness, whichever is less, and any lesser interest in a entity when the person exercises managerial control or responsibility regarding any such entity, but shall not include interests held in any pension plan, deferred compensation plan or mutual fund, the investments of which are not controlled by the person, or in any blind trust that holds or acquires an ownership interest.

- Where a Director or a member of his or her immediate family is a member, director, owner, or officer of an organization with which the Corporation contracts.
- Where a Director or a member of his or her immediate family is a member, director, owner or officer of an entity with which the Corporation negotiates or effects a transaction or an entity that substantially benefits from a transaction that the Corporation negotiates or effects.

A Director shall not be deemed to be "interested" by virtue of his or her status as an official or employee of the City of New York, the State of New York or any of their respective authorities or instrumentalities.

When a Director is "interested" in a matter: (a) the Director must disclose the nature and extent of his or her interest to the Board or committee of the Board, whichever will be considering the matter; and (b) the Director, acting as a Director, must take no part in the consideration, determination or approval of the matter on the part of the Corporation.³

C. Confidential and Inside Information. Confidential information acquired by a Director in the course of his or her duties as a Director must be held in confidence and may not be used as a basis for personal gain by the Director, his or her immediate family or others. Information relating to transactions pending with the Corporation is not to be given to any person unless it has been published or otherwise made generally available to the public by the Corporation.

A Director must refrain from transmitting any information about the Corporation or its deliberations or decisions or any other information the Director obtained from the Corporation that might be prejudicial to the interests of the Corporation to any person other than in connection with the discharge of the Director's responsibilities, except to the extent the information is publicly available.

A Director must not accept employment or engage in any business or professional activity that will require him or her to disclose confidential information that he or she has gained by reason of his or her official position of authority.

D. Gratuities/Conduct. A Director must not be placed under actual or apparent obligation to anyone by accepting, or permitting his or her immediate family to accept, gifts or other favors where it might appear that they were given for the purpose of improperly influencing the Director in the performance of his or her corporate duties. In addition, a Director should never use his or her official position to secure unwarranted privileges or exemptions; nor should a Director, by his or her conduct, give any reasonable basis for the impression that any person can improperly influence him or her or unduly enjoy his or her favor in the performance of his or her official duties or that he or she is affected by the kinship, rank, position or influence of any party or person. Instead, a Director should endeavor to pursue a course of conduct that will not raise suspicion that he or she is likely to be engaged in acts that are in violation of his or her trust.

³ All persons acting as Members of the Corporation may take part in the consideration, and determination or approval, of any matter.

III. DISCLOSURE PROCEDURE

A. If at any time a Director is in doubt as to the proper application of this Code; the Director should immediately make all the facts known to the General Counsel of the Corporation and be guided by the instructions he or she receives. Except as otherwise directed by those instructions, the Director should refrain from exercising responsibility with regard to the Corporation in any matter that might reasonably be thought to be affected by his or her interest.

B. Each Director must complete a disclosure statement in the form attached hereto promptly after appointment and annually thereafter at the time required for the filing by the Director of an annual financial disclosure statement pursuant to N.Y. Pub. Auth. Law § 2825(3).

C. Each Director shall make the annual filings required of Directors under N.Y. Pub. Auth. Law § 2825(3).

IV. VIOLATIONS

If a Director violates any of the provisions of this Code, such Director shall be subject to an appropriate remedy under the circumstances. In addition to any penalty contained in any provision of law, the Director may be subject, at the Board's discretion, to removal for cause.

V. OFFICERS WHO ARE EMPLOYEES OF THE CORPORATION

Notwithstanding anything contained herein, if an officer is also an employee of the Corporation, that officer shall be subject to the restrictions set forth in Chapter 68 of the City Charter and not subject to this Code.

Chairperson:

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

Date: _____

Signature



Marks Paneth & Shron LLP
Certified Public Accountants & Consultants

September 30, 2013

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

In planning and performing our audit of the financial statements of Governors Island Corporation (d/b/a The Trust for Governors Island) ("TGI") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered TGI's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TGI's internal control. Accordingly, we do not express an opinion on the effectiveness of TGI's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or 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. In addition, we made recommendations and suggestions, which, if implemented, could further strengthen the internal controls and business practices (see attached Exhibit).

This report is intended solely for the information and use of the Board of Directors, Audit Committee and management of Governors Island Corporation (d/b/a The Trust for Governors Island) and is not intended to be and should not be used by anyone other than these specified parties, unless permission is granted.

Sincerely,

Marks Paneth LLP

MARKS PANETH LLP

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MANHATTAN
LONG ISLAND
WESTCHESTER
CAYMAN ISLANDS



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**THE TRUST FOR GOVERNORS ISLAND
MANAGEMENT LETTER RECOMMENDATIONS
RESULTING FROM THE JUNE 30, 2013 AUDIT**

Included in Exhibit I is an observation and recommendation that we noted during our audit of TGI's June 30, 2013 financial statements. Included in Exhibit II is the observation and recommendation from the prior year's audit that appears not to require further attention.

EXHIBIT I – CURRENT YEAR NEW OBSERVATION AND RECOMMENDATION

1. POLICIES AND PROCEDURES

Observation: During the year ended June 30, 2013, TGI transitioned its accounting function in-house and has implemented some new internal controls as TGI is no longer reliant on the accounting services provided by the New York City Economic Development Corporation ("EDC"). Given these changes in the internal controls, the accounting policies and procedures manual of TGI should be updated to reflect the new internal controls. In addition, we were also informed that TGI still follows EDC's employee handbook, which also covers the vacation policy, and other policies and procedures.

Recommendation: We recommend that the accounting policies and procedures manual be updated to reflect the new internal control policies and procedures. We also recommend that TGI consider formalizing in writing other policies and procedures, such as an employee handbook and a nepotism policy, rather than continuing to rely on EDC's documentation of policies and procedures.

Management's Response: As of July 1, 2012, TGI took full responsibility for its accounting, managing all accounting functions independent of EDC.

Separately, TGI remained under the EDC policy umbrella through May 31, 2013, up until the point TGI joined a professional employer organization ("PEO") in June. For 11 out of 12 months of the fiscal year, TGI continued to be covered by EDC's Human Resource policies, insurance policies, and payroll procedures. Moving forward, TGI's policies will be integrated into those of the PEO and compiled in an employee handbook.

TGI annually adopts its own policies related to corporate governance. These include, among others, a code of ethics, whistleblower policy, salary policy, business expense reimbursement policy, and property disposition policies.

**** END OF CURRENT YEAR NEW OBSERVATION AND RECOMMENDATION ****

EXHIBIT II – PRIOR YEAR RECOMMENDATION THAT APPEARS NOT TO REQUIRE FURTHER ACTION

2. ACCOUNT RECONCILIATION

**** END OF ALL RECOMMENDATIONS ****