

YEDC

Yonkers Economic Development Corporation

470 Nepperhan Avenue, Suite 200
Yonkers, New York 10701

March 25, 2019

PKF O'Connor Davies, LLP
500 Mamaroneck Avenue Suite 301
Harrison, New York 10528

This representation letter is provided in connection with your audit of the financial statements of Yonkers Economic Development Corporation, New York (the "Corporation"), which comprise the statements of net position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, (having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves) as of the date of this letter, the following representations made to you during your audit.

Our Responsibilities

- 1) We acknowledge that we have fulfilled our responsibilities for:
 - a) The preparation and fair presentation of the financial statements in accordance with US GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
 - b) 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; and
 - c) The design, implementation, and maintenance of internal control to prevent and detect fraud.
- 2) We understand that the term "fraud" refers to intentional acts by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements. Two types of intentional misstatements are relevant to your audit – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves intentional misstatements, including omissions of amounts or disclosures in

financial statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity's assets.

- 3) We are further responsible for reviewing, accepting and processing the standard, adjusting, or correcting journal entries that you proposed during the course of your engagement. We confirm that we designated a suitably qualified individual who understands the nature and impact of the proposed entries to the financial statements, and we accept responsibility for the proposed entries that we authorized and processed.
- 4) We acknowledge our responsibility for presenting the financial statements and supplemental schedules in accordance with US GAAP, and we believe the financial statements and supplemental schedules, including its form and content, is fairly presented in accordance with US GAAP. The methods of measurement and presentation of the financial statements and supplemental schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Financial Statements

- 5) The financial statements referred to above are fairly presented in conformity with US GAAP and include all disclosures necessary for such fair presentation. In that connection, we specifically confirm that:
 - a) The Corporation's accounting policies, and the practices and methods followed in applying them, are appropriate and are as disclosed in the financial statements.
 - b) There have been no changes during the period audited in the Corporation's accounting policies and practices.
 - c) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 6) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 7) The following, where they exist, have been appropriately disclosed to you and accounted for and/or disclosed in the financial statements in accordance with the requirements of US GAAP:
 - a) The identity of all related parties and related party relationships and transactions including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the Corporation is contingently liable, if any.
 - c) The effects of all known actual, possible, pending or threatened litigation, claims, and assessments.
 - d) The identity of the Corporation related parties and all the related party relationships and transactions of which we are aware.
- 8) We have evaluated events subsequent to the date of the financial statements through the date of this letter, and no such events have occurred which would require adjustment or disclosure in the financial statements. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Information Provided

- 9) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

- b) Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if applicable.
 - c) Additional information that you have requested from us for the purpose of the audit.
 - d) Unrestricted access to persons within the Corporation from whom you determined it necessary to obtain audit evidence.
 - e) Completeness and availability of all minutes of the meetings of the Board of Directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - There are no deficiencies in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Corporation's ability to initiate, authorize, record, process, and report financial data reliably in accordance with US GAAP.
 - We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
 - We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, regulators, or others.
 - We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

Government—specific

- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably with senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- The Corporation has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- The Corporation is not part of any joint ventures with an equity interest.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- We have identified the Corporation is not a component unit of the City of Yonkers, New York in accordance with the criteria enumerated in Governmental Accounting Standards Board Statement No. 61.
- Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- The Corporation does not have any investments or land.
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- The Corporation does not participate in a pension or OPEB plan.
- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- The Corporation is a single fund entity with no internal activity.
- Deposits and investment securities are properly classified as to risk and are properly disclosed.
- The Corporation does not have any capital assets.

- Per resolution, the Corporation agreed to unwind the New Market Tax Credit ("NMTC") structure related to the Larkin Garage and Warburton Loft Projects. For the Larkin Garage project, the Corporation received a \$14,420,000 Lower Tier Loan (to the Yonkers Larkin Garage, INC ("YLG")) by assignment from the Upper tier Fund to satisfy the \$10,598,000 debt of the Upper tier Fund to the Corporation. The operations by the YLG cannot repay the \$10,598,000 loan so the Corporation agreed to forgive all but \$2,629,000 of the \$10,598,000 loan payable on a cash flow basis to line up with payment obligations by the Corporation to YIDA. The Corporation has since decided to assign the \$2,629,000 loan due from YLG to the Agency in satisfaction of the Corporation's obligation to pay the Agency \$2,629,000. For the Warburton Loft project, the Corporation agreed to formalize its accepting the assignment of Note E in the amount of \$2,919,054 in full satisfaction of the outstanding amounts under the Corporation's Note in the amount of \$2,919,054 and given that the intend of the ESDC grant has been met, the Corporation forgives the Note E loan of \$2,919,054.
- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- Expenditures of federal awards were below the \$750,000 threshold for the year ended December 31, 2018, and we were not required to have an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance").

Very truly yours,



Ms. Cecile D. Singer
President and Chief Executive Officer



Ms. Mary Lyras
Chief Fiscal Officer