

Yonkers Economic Development Corporation

Financial Statements
and Supplementary Information

December 31, 2019 and 2018

Yonkers Economic Development Corporation

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3
Statements of Net Position	6
Statements of Activities	7
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information	
Schedule of Indebtedness – Industrial Revenue Bonds and Notes Issued, Outstanding or Retired	12
Schedule of Straight-Lease Transactions Executed in 2019	14
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16



Independent Auditors' Report

The Board of Directors of the Yonkers Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Yonkers Economic Development Corporation ("Corporation"), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and 2018, and the 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements. The schedule of indebtedness and the schedule of straight-lease transactions executed in 2019 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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 the Corporation's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
March 30, 2020

Yonkers Economic Development Corporation

Management's Discussion and Analysis
December 31, 2019

The following Management's Discussion and Analysis ("MD&A") of the Yonkers Economic Development Corporation's ("Corporation") activities and financial performance is provided as an introduction and overview of the financial statements of the Corporation for the year ended December 31, 2019. Following this MD&A are the annual financial statements of the Corporation together with the notes to the financial statements which are important to understanding the data presented in the financial statements. This MD&A highlights certain supplementary information to assist with the understanding of the Corporation's financial operations.

Operations

The Corporation is a local development corporation and operates for the benefit of the City of Yonkers, New York ("City") and its populace to accomplish any or all of the purposes specified in the by-laws. Specific powers and duties are conferred to the Corporation with respect to bond issuances within the corporate limits of the City. All of the local zoning and planning regulations, as well as the regional and local comprehensive land use plans, are taken into consideration to carry out the duties of the Corporation.

Organized in a manner consistent with the Federal Section 115 status and New York State Public Authorities laws, the Mayor of the City is the sole member and appoints up to seven Board of Directors which is comprised of both public officials and business leaders. The current Board is comprised of four board members from the Yonkers Industrial Development Agency ("YIDA"). This Board governs the Corporation by establishing official policies and reviewing and approving requests for bond transactions. Operations and activities of the Corporation, its members, officers and employees are carried out in accordance with New York State law. In addition, the Corporation complies with the Public Authorities Accountability Act of New York, as set forth within Article 4-A of the New York Executive Law.

The Corporation's mission is to assist YIDA in economic development and job growth throughout the City by providing certain taxable and tax exempt financial assistance on occasions where these incentives are no longer provided by YIDA or in instances where YIDA's ability to assist economic development projects has been significantly limited. In addition, the debt issuances of the Corporation will not be liabilities of the State of New York, the City or YIDA.

Fourteen applications were submitted and processed during the year and six new projects closed:

YEDC arranged the financing of bonds for the following project in 2019:

- **Charter School of Educational Excellence:** The total bonds issued amount to \$36,785,000.

YEDC provided mortgage recording tax exemption for the following projects in 2019:

- **Parkledge:** The total mortgage amount of \$45,950,000 was granted a total exemption amount of \$827,100.
- **78 Morningside:** The total mortgage amount of \$1,380,000 was granted a total exemption amount of \$24,840.
- **222 Lake Avenue:** The total mortgage amount of \$7,619,300 was granted a total exemption amount of \$137,148.
- **QIC:** The total mortgage amount of \$235,000,000 was granted a total exemption amount of \$4,230,000.
- **CPG III:** The total mortgage amount of \$2,200,000 was granted a total exemption amount of \$39,600.
- **Extell:** The total mortgage amount of \$113,795,000 was granted a total exemption amount of \$1,706,925.
- **Dayspring Commons:** The total mortgage amount of \$7,607,000 was granted a total exemption amount of \$114,104.
- **AMS Teutonia:** The total mortgage amount of \$9,200,000 was granted a total exemption amount of \$138,000.
- **Collins III:** The total mortgage amount of \$70,000,000 was granted a total exemption amount of \$1,260,000.
- **Oz Moving:** The total mortgage amount of \$9,980,000 was granted a total exemption amount of \$179,640.
- **1175 Warburton:** The total mortgage amount of \$6,133,570 was granted a total exemption amount of \$110,404.
- **Rivertides:** The total mortgage amount of \$26,664,488 was granted a total exemption amount of \$479,961.

Financial Operations Highlights

The detailed financial statements for the years ended December 31, 2019 and 2018 follow the MD&A. The chart below provides a condensed summary of revenues and expenses for the 2019 and 2018 calendar years.

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Annual Fees (Leake & Watts/CSEE)	\$ 4,000	\$ 4,000
Miscellaneous Fees	539	3,186
Agency Fees	3,249,654	278,145
Non-Operating Revenues		
Interest Income	<u>1,071</u>	<u>163,548</u>
Total Operating and Non-Operating Revenues	<u>\$3,255,264</u>	<u>\$ 448,879</u>

Grants

The Corporation received no grants in 2019 of 2018.

Operating Revenue

Agency Fees

The Corporation received agency fees for thirteen projects in 2019 for a total of \$3,249,654. In 2018, four projects closed for a total of \$278,145 in Agency fees.

Management Fees

The Corporation had no employees in 2019, therefore there is no longer a management agreement.

Assets, Liabilities and Net Position

At year end, the Corporation had \$3,429,430 in assets, \$26,500 in liabilities, and an unrestricted net position of \$3,402,930. A complete breakdown of these amounts is provided in the financial statements.

Supplementary Information

The Schedule of Indebtedness - Industrial Revenue Bonds and Notes Issued, Outstanding or Retired and the Schedule of Straight-Lease Transaction executed in 2019 is provided as supplementary information to the financial statements. This supplementary information is located following the notes to the financial statements.

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the Corporation finances. Questions and comments concerning any information provided in this report or requests for additional information should be addressed to the Executive Director, Yonkers Economic Development Corporation, 470 Nepperhan Avenue, Suite 200, Yonkers, New York 10701.

Yonkers Economic Development Corporation

Statements of Net Position
December 31,

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and equivalents	\$ 3,427,806	\$ 301,969
Prepaid expenses	<u>1,624</u>	<u>1,624</u>
	<u>\$ 3,429,430</u>	<u>\$ 303,593</u>
LIABILITIES		
Accounts payable	\$ 26,500	\$ 26,500
NET POSITION		
Unrestricted	<u>3,402,930</u>	<u>277,093</u>
	<u>\$ 3,429,430</u>	<u>\$ 303,593</u>

See notes to financial statements

Yonkers Economic Development Corporation

Statements of Activities
Year Ended December 31,

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Agency fees	\$ 3,249,654	\$ 278,145
Miscellaneous fees	4,539	7,186
 Total Operating Revenues	 <u>3,254,193</u>	 <u>285,331</u>
OPERATING EXPENSES		
Professional fees	19,490	19,325
Marketing	100,938	10,000
Insurance	6,491	6,490
Miscellaneous	2,508	21,413
 Total Operating Expenses	 <u>129,427</u>	 <u>57,228</u>
 Income from Operations	 <u>3,124,766</u>	 <u>228,103</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,071	163,548
Interest expense	-	(117,743)
Forgiveness of loan payable - Yonkers Industrial Development Agency	-	2,629,000
Revaluation of forgiven loan payable to Yonkers Industrial Development Agency	-	(358,578)
Forgiveness of notes receivable	-	(13,517,054)
Forgiveness of accrued interest receivable	-	(87,612)
 Total Non-Operating Revenues (Expenses)	 <u>1,071</u>	 <u>(11,288,439)</u>
 Change in Net Position	 3,125,837	 (11,060,336)
NET POSITION		
Beginning of year	<u>277,093</u>	<u>11,337,429</u>
End of year	<u>\$ 3,402,930</u>	<u>\$ 277,093</u>

See notes to financial statements

Yonkers Economic Development Corporation

Statements of Cash Flows
Year Ended December 31,

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from agency and miscellaneous fees	\$ 3,254,193	\$ 285,331
Cash payments for goods and services	<u>(129,427)</u>	<u>(48,228)</u>
Net Cash from Operating Activities	<u>3,124,766</u>	<u>237,103</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of loan payable	-	(64,940)
Interest paid	<u>-</u>	<u>(152,319)</u>
Net Cash from Capital and Related Financing Activities	<u>-</u>	<u>(217,259)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>1,071</u>	<u>217,259</u>
Net Change in Cash and Equivalents	3,125,837	237,103
CASH AND EQUIVALENTS		
Beginning of year	<u>301,969</u>	<u>64,866</u>
End of year	<u>\$ 3,427,806</u>	<u>\$ 301,969</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 3,124,766	\$ 228,103
Adjustments to reconcile income from operations to net cash from operating activities		
Accounts payable	<u>-</u>	<u>9,000</u>
Net Cash from Operating Activities	<u>\$ 3,124,766</u>	<u>\$ 237,103</u>
NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Forgiveness of note receivable	\$ -	\$ (13,517,054)
Forgiveness of accrued interest receivable	-	(87,612)
Forgiveness of loan payable - Yonkers Industrial Development Agency	-	2,629,000
Revaluation of forgiven loan payable to Yonkers Industrial Development Agency	-	(358,578)

See notes to financial statements

Yonkers Economic Development Corporation

Notes to Financial Statements
December 31, 2019 and 2018

Note 1 - Organization and Purpose

The Yonkers Economic Development Corporation (“Corporation”) was created in 2007 as a local development corporation by the City of Yonkers, New York (“City”) under the provisions of the IRS Section 115 for the purpose of assisting the Yonkers Industrial Development Agency (“YIDA”) with promoting and supporting the development of commerce, bolstering employment and stimulating economic growth and prosperity in the City. The Corporation is governed by Article 18-A of the General Municipal Law of the State of New York. The Corporation is exempt from Federal, State and local income taxes. The Corporation, although supported by YIDA, is a separate entity and operates cooperatively with YIDA. The Mayor of the City is the sole member of the Corporation and appoints the governing board for specified terms.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Corporation has been identified as an organization related to the City. In accordance with the criteria enumerated in Governmental Accounting Standards Board (“GASB”) Statement No. 61 *“The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”*, the Corporation is not considered a component unit of the City.

Basis of Accounting

The accounting policies of the Corporation conform to generally accepted accounting principles as applicable to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Corporation reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Corporation’s principal ongoing operation. The principal operating revenue of the Corporation is Agency fees. Operating expenses include professional fees, marketing and insurance. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Cash and Equivalents, Investment and Risk Disclosure

Cash and Equivalents - Cash and equivalents consists of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

Collateral is required for these deposits at 100% of all deposits not covered by Federal deposit insurance. The Corporation has entered into a custodial agreement with its depository which holds its deposits. This agreement authorizes the obligations that may be pledged as collateral. Such obligations include among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

The Corporation’s deposit and investment policies are governed by State statutes. The Corporation has adopted its own investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Corporation is authorized to use demand deposits, time deposits and certificates of deposit.

Yonkers Economic Development Corporation

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The Corporation follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the entity will incur losses in fair value caused by changing interest rates. The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Corporation does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. GASB Statement No. 40, "*Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*", directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Corporation's name. The Corporation's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2019 and 2018.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Corporation does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of an entity's investments in a single issuer. The Corporation's investment policy limits the amount on deposit at each of its banking institutions.

Revenue Recognition

The Corporation charges an agency fee based on the amount of financing for each project at a predetermined rate. All such agency fees are collected and recognized as revenue at closing.

Yonkers Economic Development Corporation

Notes to Financial Statements (Concluded)
December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use. The net position of the Corporation is classified as unrestricted.

Use of Estimates

The preparation of the 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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 30, 2020.

Note 3 - Industrial Revenue Bonds and Notes and Straight-Lease Transactions

Certain bonds and notes issued by the Corporation are secured by property which is leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Corporation, the City or New York State. The Corporation does not record the assets or liabilities resulting from completed bond and note issues in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. Trustees maintain the information for these bonds and notes and no default notices have been generated in the current year. For providing this service, the Corporation receives bond administration fees from the borrowing companies. The fee received by the Corporation is one percent of the bond amount. In addition, the Corporation receives closing fees for straight-lease transactions of half of one percent of total project cost. Such administrative fee income is recognized immediately upon issuance of bonds and notes or closings on the leaser.

Note 4 - Risk Management

The Corporation purchases conventional insurance coverage for directors and officers liability. The current policy reflects a limit of \$1 million per occurrence of \$1 million for the period of the policy.

Note 5 - Subsequent Event

The Corporation's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the Corporation may experience a disruption in operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relation of protective measures, management cannot reasonably estimate the actual impact on the Corporation's financial position at this time.

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Yonkers Economic Development Corporation

Supplementary Information

December 31, 2019

Yonkers Economic Development Corporation

Schedule of Indebtedness - Industrial Revenue Bonds and Notes Issued, Outstanding or Retired
December 31, 2019

<u>Project</u>	<u>Date of Issue</u>	<u>Original Issue Value</u>	<u>Balance at January 1, 2019</u>
Riverview II	May 2010	\$ 27,350,000	\$ 19,630,000
Charter School of Excellence (Series A)	Nov 2010	11,735,000	11,070,000
Leake & Watts (Series A)	June 2014	16,670,000	12,585,000
Leake & Watts (Series B)	June 2014	1,240,000	465,000
Leake & Watts (Series C)	June 2014	3,125,000	2,130,000
Leake & Watts (Series D)	June 2014	138,000	18,000
Lamartine/Warburton LLC (Series A)	November 2019	35,740,000	-
Lamartine/Warburton LLC (Series B)	November 2019	1,045,000	-
Total Indebtedness		<u>\$ 97,043,000</u>	<u>\$ 45,898,000</u>

See independent auditors' report.

New Issues	Payments	Balance at December 31, 2019
\$ -	\$ 1,085,000	\$ 18,545,000
-	255,000	10,815,000
-	1,020,000	11,565,000
-	120,000	345,000
-	240,000	1,890,000
-	18,000	-
35,740,000	-	35,740,000
1,045,000	-	1,045,000
\$36,785,000	\$ 2,738,000	\$ 79,945,000

Yonkers Economic Development Corporation

Supplementary Information
Schedule of Straight-Lease Transactions Executed in 2019
December 31, 2019

Project	Project Address	Owner Address
STRAIGHT LEASE TRANSACTIONS		
Extell	15, 35 Babcock, 39-A to 41 Water Grant Street, 159, 161 Alexander St.	805 Third Avenue 7th Fl New York, NY 10022
Parkledge	220-250 Yonkers Avenue 10701	200 Vesey Street 24th Fl New York, NY 10281
78 Morningside	78 Morningside Avenue 10703	75 South Broadway Ste 434 White Plains, NY 10601
Dayspring Commons	227 Elm and 320 Walnut Street 10701	8 Bashford Street 10701
AMS Teulonia	41-65 Buena Vista Avenue	595 Madison Avenue Suite 1101 New York, NY 10016
Charter School of Educational Excellence	220-226 Warburton Avenue 10701	260 Warburton Avenue 10701
REFINANCINGS		
QIC	1 Ridge Hill Blvd 10710	1 Ridge Hill Blvd 10710
CPG III	8 Cottage Pl/209 Warburton Ave	744 Broadway Albany, NY 12207
Collins III	63 Wells Ave	525 Washington Blvd. 31st Fl Jersey City, NJ 07310
Oz Moving	498 Nepperhan Ave	101 Lincoln Avenue Bronx, NY 10454
1175 Warburton	1177 Warburton	100 Summit Lake Drive Valhalla, NY 10595
Rivertides	1105-1135 Warburton	100 Summit Lake Drive Valhalla, NY 10595

See independent auditors' report.

<u>Approximate Cost</u>	<u>Benefit (Sales Tax)</u>	<u>Benefit (Mortgage Tax)</u>	<u>Jobs at Location</u>	<u>Jobs to be Created</u>	<u>Jobs to be Retained</u>
\$ 475,000,000	IDA	\$ 1,706,925	-	200	-
56,679,948	IDA	689,250	14	-	13
1,498,539	IDA	20,700	-	1	-
43,450,738	IDA	114,104	-	14	-
9,200,000	IDA	138,000	-	-	-
36,785,000	IDA	-	-	38	-
<u>New Monies</u>					
\$ 235,000,000	N/A	\$ 4,230,000			
2,200,000	N/A	33,000			
19,291,486	N/A	1,050,000			
9,980,000	N/A	149,700			
6,133,570	N/A	92,004			
26,664,488	N/A	399,967			



**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**

Independent Auditors' Report

**The Board of Directors of the
Yonkers Economic Development 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 the Yonkers Economic Development Corporation ("Corporation") which comprise the statement of net position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 30, 2020