

Yonkers Economic Development Corporation

Financial Statements
and Supplementary Information

December 31, 2018 and 2017

Yonkers Economic Development Corporation

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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, 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.

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, 2018 and 2017, 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 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 25, 2019 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 25, 2019

Yonkers Economic Development Corporation

Management's Discussion and Analysis

December 31, 2018

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, 2018. 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.

Four applications were submitted and processed during the year and five projects closed:

YEDC provided mortgage recording tax exemption to the following projects in 2018:

- **Yonkers LW Hotel:** The total mortgage amount of \$16.64 million was granted a total exemption amount of \$299,538.
- **Stagg Construction:** The total mortgage amount of \$7 million was granted a total exemption amount of \$126,000.

- **Rivertides:** The total mortgage amount of \$16.5 million was granted a total exemption amount of \$297,000.
- **Hudson Blue:** The total mortgage amount of \$15 million was granted a total exemption amount of \$270,000.

Financial Operations Highlights

The detailed financial statements for the years ended December 31, 2018 and 2017 follow the MD&A. The chart below provides a condensed summary of revenues and expenses for the 2018 and 2017 calendar years.

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Annual Fees (Leake & Watts/CSEE)	\$ 4,000	\$ 4,000
Miscellaneous Fees	3,186	2,534
Agency Fees	278,145	15,000
Non-Operating Revenues		
Interest	<u>163,548</u>	<u>231,854</u>
Total Operating and Non-Operating Revenues	<u>\$ 448,879</u>	<u>\$ 253,388</u>

Grants

Larkin Garage (2011-2018) \$7,969,000

Revenue received from the City and State sources totaling \$7,969,000 was used along with proceeds of a loan to the Corporation in the amount of \$2,629,000 to induce additional funding in the form of New Market Tax Credits ("NMTC") totaling \$3,822,000. These funds have been loaned to finance the Larkin Garage Project.

On November 30, 2018, the YEDC board approved a resolution to unwind the NMTC structure and re-establish the facility as an IDA project deal by allowing YEDC to become the direct holder of the \$14,420,000 lower tier note by assignment from the Upper Tier Fund to satisfy the \$10,598,000 loan of the Upper Tier Fund to the Corporation. The Corporation then wrote the debt down to \$2,629,000 and assigned this restated cash flow note from the Yonkers Larkin Garage, Inc. ("YLG") to YIDA in satisfaction of its obligations to YIDA.

Warburton Wells (2011-2018) \$2,919,054

Revenue received from New York State RESTORE NY, where the Corporation was a sub-recipient, totaling \$2,919,054 was used along with non-Corporation funding sources in the amount of \$4,930,000 to induce additional NMTC funding of \$3,000,000. These funds were loaned to finance the Warburton Wells Project.

On December 19, 2018, the Corporation board approved a resolution to unwind the structure related to financing the Warburton Wells Project. The note sourced by the New York State

RESTORE grant held by the Corporation has been fully satisfied such that the Corporation has forgiven the note to essentially convert the loan back to the original concept of a grant.

Operating Revenue

Agency Fees

The Corporation received agency fees for four projects in 2018 for a total of \$278,145. In 2017, six projects closed.

Management Fees

The Corporation had no employees in 2018, therefore there is no longer a management agreement.

Assets, Liabilities and Net Position

At year end, the Corporation had \$303,593 in assets, \$26,500 in liabilities, and an unrestricted net position of \$277,093. 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 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.

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Yonkers Economic Development Corporation

Statements of Net Position December 31,

	2018	2017
ASSETS		
Cash and equivalents	\$ 301,969	\$ 64,866
Accrued interest receivable	-	141,323
Prepaid expenses	1,624	1,624
Notes receivable	-	13,517,054
	<u>\$ 303,593</u>	<u>\$ 13,724,867</u>
LIABILITIES		
Accounts payable	\$ 26,500	\$ 17,500
Accrued interest payable	-	34,576
Loan payable - Yonkers Industrial Development Agency	-	2,335,362
Total Liabilities	26,500	2,387,438
NET POSITION		
Unrestricted	<u>277,093</u>	<u>11,337,429</u>
	<u>\$ 303,593</u>	<u>\$ 13,724,867</u>

See notes to financial statements

Yonkers Economic Development Corporation

Statements of Activities
Year Ended December 31,

	2018	2017
OPERATING REVENUES		
Agency fees	\$ 278,145	\$ 15,000
Miscellaneous fees	7,186	6,534
Total Operating Revenues	285,331	21,534
OPERATING EXPENSES		
Professional fees	19,325	18,750
Marketing	10,000	-
Insurance	6,490	6,497
Miscellaneous	21,413	31,214
Total Operating Expenses	57,228	56,461
Income (Loss) from Operations	228,103	(34,927)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	163,548	231,854
Interest expense	(117,743)	(155,527)
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)	(11,288,439)	76,327
Change in Net Position	(11,060,336)	41,400
NET POSITION		
Beginning of year	11,337,429	11,296,029
End of year	\$ 277,093	\$ 11,337,429

See notes to financial statements

Yonkers Economic Development Corporation

Statements of Cash Flows Year Ended December 31,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from agency and other fees	\$ 285,331	\$ 21,534
Cash payments for goods and services	(48,228)	(57,860)
Net Cash from Operating Activities	237,103	(36,326)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of loan payable	(64,940)	(60,830)
Interest paid	(152,319)	(156,428)
Net Cash from Capital and Related Financing Activities	(217,259)	(217,258)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	217,259	217,259
Net Change in Cash and Equivalents	237,103	(36,325)
CASH AND EQUIVALENTS		
Beginning of year	64,866	101,191
End of year	\$ 301,969	\$ 64,866
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ 228,103	\$ (34,927)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Prepaid expenses	-	1
Accounts payable	9,000	(1,400)
Net Cash from Operating Activities	\$ 237,103	\$ (36,326)
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

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Yonkers Economic Development Corporation

Notes to Financial Statements
December 31, 2018 and 2017

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 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 principle operating revenue of the Corporation is Agency fees. Operating expenses include professional fees, marketing and insurance. All revenue 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, 2018 and 2017

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 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, 2018 and 2017.

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.

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.

Yonkers Economic Development Corporation

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies *(Continued)*

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 25, 2019.

Note 3 - Loan Payable

Prior to 2018, the Corporation had a loan payable to YIDA with interest at prime plus 2.0%, but in no event less than 6.5% for the period through August 2018 at which time the rate was to be fixed at the greater of 6.5% or 2.5% in excess of the five-year Federal Home Loan Bank of New York Regular Fixed Advance Rate, per annum. The loan was secured by a ground lease on property located at 10 Woodworth Avenue, Yonkers, New York, a first lien mortgage on property located at 45 Warburton Avenue, Yonkers, New York, a first lien assignment of the upper tier loan agreement and related qualified equity investment in Solomon Hess New Market Tax Credit ("NMTC") III, LLC and operating agreement of Solomon Hess NMTC III, LLC relating to the Larkin Garage (see note 5). At a November 2018 meeting of the Corporation and YIDA, both entities agreed to unwind the New Market Tax Credit ("NMTC") structure relating to the financing of the Yonkers Larkin Garage project ("Project") and re-establish the facility as a YIDA project. In the unwind, the Corporation received a \$14,420,000 lower Tier Loan (to the Yonkers Larkin Garage, Inc. ("YLG")) by assignment from the Upper Tier Fund (See Note 5) to satisfy the \$10,598,000 debt of the Upper Tier Fund to the Corporation. The Corporation wrote down the YLG debt to \$2,629,000 and forgave the balance of \$7,696,000 and assigned this remaining obligation from YLG to YIDA in satisfaction of the Corporation's obligations to YIDA. The principal balance outstanding at December 31, 2018 and 2017 was \$0 and \$2,335,362. Interest expense was \$117,743 and \$155,527 for the years ended December 31, 2018 and 2017.

Note 4 - Industrial Revenue Bond and Note 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. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

Yonkers Economic Development Corporation

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 5 - Economic Development Projects

Larkin Garage

Under a financial assistance agreement with the Yonkers Community Development Agency ("YCDA"), the Corporation received aggregate funding of \$7,969,000 from City and State grant sources. (The City purchased a Public Access Easement encumbering the Ground Lease interest in the land held by the Corporation for \$3,896,000, then paid an additional amount of \$2,500,000 when the County of Westchester, New York ("County") failed to fund the purchase of its Public Access Easement, coupled with a grant of \$1,153,000 from the Empire State Development Corporation ("ESDC") and a \$420,000 sub-allocation fee from the NMTC equity paid to Solomon Hess NMTC III, LLC. The YCDA assigned its rights under the ground lease for the land where the Larkin Garage was to be constructed and operated. The Corporation then borrowed \$2,629,000 from Sterling National Bank (formerly known as Hudson Valley Bank). (In February 2016, YIDA purchased the outstanding bank loan from Sterling National Bank-See Note 3). This allowed the Corporation to make a \$10,598,000 loan to Yonkers Capital Fund, LLC in a manner that qualified Yonkers Capital Fund, LLC for a NMTC investment of \$3,822,000. The Corporation transferred the obligation to build and operate a 300 space public access parking garage to private parties.

Yonkers Capital Fund, LLC (referred to as the "Upper Tier Fund", or "Investment Fund" when describing the NMTC structure) used the proceeds of the \$10,598,000 loan and the \$3,822,000 NMTC investment to make a \$14,420,000 Qualified Equity Investment in Solomon Hess NMTC III, LLC and said entity thereafter made a "lower tier loan" of \$14,420,000 to YLG (a private not for profit entity not controlled by the City) which developed and caused a 300 space public access parking garage to be constructed and operated. After seven years, Solomon Hess NMTC III, LLC liquidated and distributed its lower tier loan to Yonkers Capital Fund, LLC. Thereafter, Yonkers Capital Fund, LLC put the lower tier loans it received as a liquidating payment to the Corporation in satisfaction of its \$10,598,000 loan from the Corporation. The operations of 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 the YLG to YIDA in satisfaction of the Corporation's obligation to pay YIDA \$2,629,000.

Warburton Wells Historic

The Corporation used the proceeds from an ESDC RESTORE grant in the amount of \$2,919,054 to make a "leverage" loan to Warburton Wells Yonkers Investment Fund, LLC formed as Greenline Leverage Fund II, LLC ("Investment Fund"). These funds were received through the sub-recipient agreement with the City and the ESDC and were required to be deposited in escrow with New York Title. The Investment Fund also received other grants and loans the combined grants and loans were used to reimburse Citibank, NA for a 2011 loan to its affiliate from an initial equity contribution to recapitalize itself and to continue a Qualified Equity Investment in Greenline CDF Subfund-XIV LLC-QEII (sub CDE) that was originally made in 2011. This enabled an advance to the Warburton Wells Developer LLC ("QALICB") pursuant to a construction agreement between Sub-CDE and the QALICB ("QLICB Loan Agreement").

Yonkers Economic Development Corporation

Notes to Financial Statements (Concluded)
December 31, 2018 and 2017

Note 6 - Commitments and Contingencies (Continued)

After a 7 year period, the Sub-CDE has liquidated and distributed its interests in the Notes and related construction loan agreement to the Investment Fund and the Investment Fund will dissolve and offer the Notes and the related construction loan agreement in satisfaction of its loans from the Corporation and other lenders ("Upper Tier Leveraged Lenders"). The Corporation received a \$2,919,054 Note in satisfaction of its loan to the Upper Tier Entity. The Upper Tier Lenders are parties to an inter-creditor agreement that establishes certain priorities of repayment with the Corporation holding a subordinate interest and right of payment from the Investment Fund payments during the 7 year period and when the Notes and related construction loan agreement are received by the Upper Tier Lenders such that the pro forma shows certain circumstances under which the Corporation will receive repayment of the loan made to the Investment Fund but payment is on a subordinate basis to the claims of the other Upper Tier Lenders. The Corporation has forgiven the Note (originally sourced with an ESDC RESTORE grant) essentially converting the loan back to the original concept of a grant.

Notes receivable at December 31, 2018 and 2017 is as follows:

	2018	2017
Larkin Garage	\$ -	\$ 10,598,000
Warburton Wells Historic	-	2,919,054
	<u>\$ -</u>	<u>\$ 13,517,054</u>

Note 6 - Commitments and Contingencies

Ground Lease

The Ground Lessor is the owner of real estate located at 10 Woodworth Avenue and 45 Warburton Avenue, Yonkers, New York (together the "Premises") where the Project is located. The Ground Lessor leased the Premises to the YCDA under a ground lease agreement dated August 5, 2011 ("Initial Ground Lease") and immediately thereafter, YCDA granted easements to the City and the County. YCDA assigned its leasehold interest under the Initial Ground Lease to the Corporation pursuant to the Assignment of Initial Ground Lease. The Corporation thereafter assigned its leasehold interest under the Initial Ground Lease to YIDA to develop and operate a garage for private and general public use. The Initial Ground Lease was amended by the Ground Lessor under which it has ground leased the Premises to YIDA for a term of 49 years. Title to all buildings and improvements situated or erected on the Premises shall vest to the Ground Lessor on the day following the last day of the term.

Ground Sublease

In August 2011, the YIDA and YLG executed a sublease, whereby YLG was granted the rights to use the land and existing improvements for purposes of constructing and operating the Project. The term of the ground sublease is for 49 years and requires the YLG to pay the City base rent once a year in August at an amount based on "Available Cash Flow" as defined by the ground sublease agreement.

Yonkers Economic Development Corporation

Notes to Financial Statements (Concluded)
December 31, 2018 and 2017

Note 6 - Commitments and Contingencies *(Continued)*

Financial Assistance Agreement

YCDA signed a financial assistance agreement with the Corporation in August 2011, to further induce the development of the Project. The agreement required YCDA to fund the annual debt service payments on the YLG's notes payable, should there be a shortfall of funds provided by operations. Total financial assistance paid by the YCDA related to this agreement for each of the years ended December 31, 2018 and 2017 amounted to \$217,259. The terms of this agreement ended with the dissolution of the NMTC structure in 2018.

Note 7 - 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.

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Yonkers Economic Development Corporation

Supplementary Information

December 31, 2018

Yonkers Economic Development Corporation**Schedule of Indebtedness - Industrial Revenue Bonds and Notes Issued, Outstanding or Retired
December 31, 2018**

<u>Project</u>	<u>Date of Issue</u>	<u>Original Issue Value</u>	<u>Balance at January 1, 2018</u>
Riverview II	May 2010	\$ 27,350,000	\$ 20,735,000
Charter School of Excellence (Series A)	Nov 2010	11,735,000	11,310,000
Leake & Watts (Series A)	June 2014	16,670,000	13,560,000
Leake & Watts (Series B)	June 2014	1,240,000	585,000
Leake & Watts (Series C)	June 2014	3,125,000	2,370,000
Leake & Watts (Series D)	June 2014	138,000	54,000
Total Indebtedness		<u>\$ 60,258,000</u>	<u>\$ 48,614,000</u>

<u>New</u> <u>Issues</u>		<u>Payments</u>	<u>Balance at</u> <u>December 31,</u> <u>2018</u>
\$	-	\$ 1,105,000	\$ 19,630,000
	-	240,000	11,070,000
	-	975,000	12,585,000
	-	120,000	465,000
	-	240,000	2,130,000
	-	36,000	18,000
<u>\$</u>	<u>-</u>	<u>\$ 2,716,000</u>	<u>\$ 45,898,000</u>

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**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, 2018, 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 25, 2019.

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 entity'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 25, 2019