

Yonkers Downtown Waterfront Development Corporation
(A Component Unit of the City of Yonkers, New York)

Financial Statements

Years Ended December 31, 2008 and 2007



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

To the Board of Directors of the Yonkers Downtown Waterfront Development Corporation

We have audited the accompanying statements of financial position of the Yonkers Downtown Waterfront Development Corporation ("the Corporation") a nonprofit organization and a component unit of the City of Yonkers, New York as of December 31, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Yonkers Downtown Waterfront Development Corporation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

White Plains, New York
July 29, 2009

Yonkers Downtown Waterfront Development Corporation
(A Component Unit of the City of Yonkers, New York)

Statements of Financial Position

December 31,

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 116,146	\$ 1,072,823
Accounts Receivable, net	115,560	681,714
Deferred rent receivable	165,000	170,000
Prepaid expenses	23,277	26,272
Deposits	77,541	82,961
Real estate held for sale	440,000	440,000
Investment in real estate, net	3,716,964	3,792,543
	<u>\$ 4,654,488</u>	<u>\$ 6,266,313</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 57,653	\$ 38,668
Accrued interest payable	112,994	103,438
Tenant security deposits	1,127	1,127
Line of credit payable to bank	-	1,639,570
Loans payable	3,322,646	3,531,935
	<u>3,494,420</u>	<u>5,314,738</u>
Total Liabilities		
Net Assets - Unrestricted	<u>1,160,068</u>	<u>951,575</u>
	<u>\$ 4,654,488</u>	<u>\$ 6,266,313</u>

See notes to financial statements

Yonkers Downtown Waterfront Development Corporation
(A Component Unit of the City of Yonkers, New York)

Statements of Activities

Years Ended December 31,

	<u>2008</u>	<u>2007</u>
SUPPORT AND REVENUE		
Federal Community Development Block Grant	\$ 345,701	\$ 331,412
State sources	-	127,428
Donated services from the City of Yonkers	206,118	198,776
Corporate sponsors	67,880	76,250
Rent income	95,000	95,000
Interest income	145	153
Miscellaneous	<u>177,842</u>	<u>35,187</u>
Total Support and Revenue	<u>892,686</u>	<u>864,206</u>
OPERATING EXPENSES		
Salaries	158,552	152,905
Payroll taxes and employee benefits	47,566	45,871
Insurance	22,060	31,847
Consulting services	4,950	70,195
Accounting fees	41,625	35,000
Printing and postage	1,845	-
Real estate taxes	50,574	46,923
Interest	213,691	185,372
Repairs and maintenance	-	1,250
Advertising	12,595	8,904
Depreciation	75,579	75,579
Equipment rental	42,108	-
Project expenses	-	127,428
Miscellaneous	<u>13,048</u>	<u>24,710</u>
Total Expenses	<u>684,193</u>	<u>805,984</u>
Change in Net Assets	208,493	58,222
NET ASSETS		
Beginning of year	<u>951,575</u>	<u>893,353</u>
End of year	<u>\$ 1,160,068</u>	<u>\$ 951,575</u>

See notes to financial statements

**Yonkers Downtown Waterfront Development Corporation
(A Component Unit of the City of Yonkers, New York)**

Statement of Cash Flows

Years Ended December 31,

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 208,493	\$ 58,222
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	75,579	75,579
Changes in operating assets and liabilities		
Accounts receivable	566,154	(614,994)
Rent receivable	5,000	5,000
Prepaid expenses	2,995	9,118
Security deposits	5,420	3,910
Accounts payable	18,985	(1,382)
Accrued interest payable	9,556	11,252
Net Cash from Operating Activities	<u>892,182</u>	<u>(453,295)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	1,639,570
Principal repayments of line of credit	(1,639,570)	
Principal repayments of loans payable to City of Yonkers	<u>(209,289)</u>	<u>(197,113)</u>
Net Cash from Financing Activities	<u>(1,848,859)</u>	<u>1,442,457</u>
Net Change in Cash	(956,677)	989,162
CASH		
Beginning of year	<u>1,072,823</u>	<u>83,661</u>
End of year	<u>\$ 116,146</u>	<u>\$ 1,072,823</u>
SUPPLEMENTARY DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for interest	\$ 204,135	\$ 228,798

See notes to financial statements

Yonkers Downtown Waterfront Development Corporation
(A Component Unit of the City of Yonkers, New York)

Notes to Financial Statements

1. Nature of Activities

The Yonkers Downtown Waterfront Development Corporation (the "Corporation") was established by the City of Yonkers, New York as a nonprofit organization to encourage the development and retention of jobs, business and industry and to foster projects for commercial, retail, office and residential uses. The Corporation seeks to provide economic development for the City of Yonkers downtown waterfront area and to provide job opportunities for the City's residents. The Corporation is regarded as a discretely presented component unit in the City of Yonkers financial statements.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The Corporation reports information regarding its financial position and activities according to three classes of net assets based on the presence or absence of donor stipulations. Accordingly, net assets are classified as unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Use of Estimates

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

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support is recognized when the donor makes a promise to give to the Corporation that is, in substance unconditional. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donations of property, equipment and services are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire

Yonkers Downtown Waterfront Development Corporation
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Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Contributions (continued)

property and equipment are reported as restricted support. When there are no donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service. Donated services which either create or enhance a nonfinancial asset, or require specialized skills and are provided by a person possessing those skills, are recorded as support in the period received.

Real Estate Held for Sale

Real estate held for sale consists of land, buildings and building improvements that were donated to the Corporation. The real estate, in its present condition, is immediately available for sale and is being marketed at a reasonable price considering its current fair value.

Management routinely addresses events or changes in circumstances that indicate the carrying amount of real estate held for sale may not be recoverable. The Corporation has adopted SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* and an impairment loss would be recognized for any subsequent adjustment to the carrying amount of the long-lived asset to fair value less cost to sell. A long-lived asset is not subject to depreciation while held for sale.

Investment in Real Estate

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred and major renewals and betterments are capitalized. When equipment is sold or retired the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the statement of activities.

Income Taxes

The Corporation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

Accounting for Uncertainty in Income Taxes

The Organization's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Notes to Financial Statements

3. Rent Receivable and Rent Income

On January 1, 2002, the Corporation entered into a long-term lease agreement with Gazette Realty Holdings, LLC ("Lessee") under which the Corporation leased its property located at 55-61 Main Street, City of Yonkers, NY, until December 31, 2016. The agreement provides for no rent to be paid on the property for the first two years. For the third through the tenth year of the lease agreement, the Lessee will pay annual rent of \$100,000 in equal monthly installments of \$8,333. Minimum rent payable by Lessee will increase to \$125,000 for the eleventh through the fifteenth year of the agreement. The agreement further provides that Lessee may purchase the property at 20% less than its fair market value at the time of exercise.

Rental income on the operating lease has been recognized on a straight-line basis, although under the terms of the lease the income is received on an uneven basis as follows:

<u>Year</u>	<u>Annual Rental Per the Lease</u>	<u>Annual Straight-line Rent</u>
2002	\$ -	\$ 95,000
2003	-	95,000
2004	100,000	95,000
2005	100,000	95,000
2006	100,000	95,000
2007	100,000	95,000
2008	100,000	95,000
2009	100,000	95,000
2010	100,000	95,000
2011	100,000	95,000
2012	125,000	95,000
2013	125,000	95,000
2014	125,000	95,000
2015	125,000	95,000
2016	<u>125,000</u>	<u>95,000</u>
	<u>\$ 1,425,000</u>	<u>\$ 1,425,000</u>

4. Real Estate Held for Sale

Real Estate held for sale consists of land, buildings and building improvements identified as Bennett properties which were donated to the Corporation and reported at fair value of \$440,000 at date of donation.

(A Component Unit of the City of Yonkers, New York)

Notes to Financial Statements

5. Investment in Real Estate

Investment in real estate at December 31, is comprised of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,222,900	\$ 1,222,900
Building and improvements	<u>3,023,115</u>	<u>3,023,115</u>
	4,246,015	4,246,015
Accumulated depreciation	<u>(529,051)</u>	<u>(453,472)</u>
	<u>\$ 3,716,964</u>	<u>\$ 3,792,543</u>

6. Line of Credit Payable - Bank

The Corporation has two lines of credit aggregating \$2 million. Outstanding borrowings under the lines are due on demand with interest at prime plus one-half of one percent, payable monthly. The lines of credit are secured by New York State funding through a local development corporation. At December 31, 2008, no loans were outstanding. At December 31, 2007, outstanding borrowings aggregated \$1,639,570. Interest expense was \$42,190 and \$54,678, for the years ended December 31, 2008 and 2007, respectively.

7. Loans Payable

Loans payable at December 31, is comprised of the following:

	<u>2008</u>	<u>2007</u>
Outstanding loan payable to the City of Yonkers dated October 23, 1995, with interest accruing at a rate of 1% per annum. Payment of principal and interest are due upon maturity in January 2036; secured by property located at 55-61 Main Street, Yonkers, New York.	\$ 700,000	\$ 700,000
Outstanding advances against a \$33,000 loan payable to the City of Yonkers dated October 12, 1999, with interest accruing at the 180 day LIBOR rate. Payment of principal and interest are due upon maturity in October 2009; secured by property located at 55-61 Main Street, Yonkers, New York.	18,075	\$ 18,075

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Notes to Financial Statements

7. Loans Payable (Continued)

Loan payable to the City of Yonkers, dated October 20, 1999 with interest accruing at the 180 day LIBOR rate. Payments of principal and interest are due upon maturity in March 2019, secured by property located at 55-61 Main Street, Yonkers, New York.

\$ 62,500 \$ 62,500

Loan payable to Community Preservation Corporation dated May 1, 2004 due in monthly installments of \$3,634, including interest at 6.5%, maturing May 1, 2035, secured by property located at 55-61 Main Street, Yonkers, New York.

549,251 556,891

Loan payable - Section 108 loan payable to the City of Yonkers, dated September 2003 due in monthly installments of \$27,302 including interest at 5.99%, maturing August 1, 2016, secured by a first mortgage in the amount of \$575,000 held by the Community Preservation Corporation and secured by property located at 55-61 Main Street, Yonkers, New York.

1,992,820 2,194,469

\$ 3,322,646 \$ 3,531,935

As of December 31, 2008 aggregate annual debt maturities, excluding interest, were as follows:

2009	\$ 221,109
2010	252,842
2011	249,269
2012	264,668
2013	281,017
Thereafter	<u>2,053,741</u>
	<u>\$ 3,322,646</u>

8. Donated Services

The financial statements include support and revenue and corresponding expenses of salaries and related benefits of certain administrative employees of the City of Yonkers. The value of these services was \$206,118 and \$198,776 for the years ended December 31, 2008 and 2007, respectively.

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Notes to Financial Statements

9. Commitments and Contingencies

Grants Receivable/Revenue

The Corporation participates in Federal grant programs which are subject to program compliance audits pursuant to the Single Audit Act. The amount of expenditures that may be disallowed by the granting agencies as a result of the compliance audits, if any, cannot be determined. In the opinion of the management of the Corporation, disallowances, if any, will not have a material effect on the financial statements.

10. Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentration of credit risks consist principally of temporary cash deposits in excess of Federally insured limits and rent receivable. The Corporation maintains cash balances in a financial institution insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash on deposit at the institution may exceed Federally insured limits from time to time. Rent receivable is due from a single lessee (see Note 3).