

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

**Financial Statements**

Years Ended December 31, 2010 and 2009



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, 2010 and 2009 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2010 and 2009, 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*

Harrison, New York  
March 14, 2011

**Yonkers Downtown Waterfront Development Corporation**  
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Statements of Financial Position

December 31,

	2010	2009
<b>ASSETS</b>		
Cash	\$ 51,542	\$ 99,493
Investments	151,186	197,345
Accounts receivable	1,591,146	1,184,587
Prepaid expenses	31,450	14,933
Deposits	26,860	54,635
Investment in real estate, net	1,725,577	1,760,000
	\$ 3,577,761	\$ 3,310,993
 <b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
Accounts payable and accrued expenses	\$ 427,793	\$ 49,870
Accrued interest payable	131,366	123,947
Tenant security deposits	1,127	1,127
Line of credit payable to bank	993,820	1,086,558
Loans payable	3,127,390	3,400,430
Total Liabilities	4,681,496	4,661,932
Net Assets (Deficit) - Unrestricted	(1,103,735)	(1,350,939)
	\$ 3,577,761	\$ 3,310,993

See notes to financial statements

**Yonkers Downtown Waterfront Development Corporation**  
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Statements of Activities

Years Ended December 31,

	2010	2009
<b>SUPPORT AND REVENUE</b>		
Federal Community Development Block Grant	\$ 456,046	\$ 374,866
State sources	1,868,709	3,090,111
Donated services from the City of Yonkers	196,052	206,188
Rent income	146,300	82,500
Interest income	2,792	4,376
Gain on sale of real estate held for sale	-	10,000
Miscellaneous	3,819	-
Total Support and Revenue	2,673,718	3,768,041
<b>OPERATING EXPENSES</b>		
Salaries	150,809	158,606
Payroll taxes and employee benefits	45,243	47,582
Insurance	13,685	10,692
Consulting services	12,092	11,497
Accounting fees	40,010	37,875
Printing and postage	375	-
Real estate taxes and utilities	75,470	48,087
Interest	153,322	159,971
Repairs and maintenance	31,764	9,277
Depreciation	34,423	75,579
Equipment rental	-	10,000
Project expenses	1,826,519	3,090,111
Ferry services	-	300,000
Lease termination	-	165,000
Impairment charge	-	1,881,385
Program expenses	-	209,695
Bad debt	33,528	-
Miscellaneous	9,274	63,691
Total Expenses	2,426,514	6,279,048
Change in Net Assets (Deficit)	247,204	(2,511,007)
<b>NET ASSETS (DEFICIT)</b>		
Beginning of year	(1,350,939)	1,160,068
End of year	\$ (1,103,735)	\$ (1,350,939)

60,064

See notes to financial statements

**Yonkers Downtown Waterfront Development Corporation**  
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Statement of Cash Flows

Years Ended December 31,

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 247,204	\$ (2,511,007)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	34,423	75,579
Impairment charge	-	1,881,385
Bad debt expense	33,528	-
Changes in operating assets and liabilities		
Accounts receivable	(440,087)	(1,069,027)
Rent receivable	-	165,000
Prepaid expenses	(16,517)	8,344
Security deposits	27,775	22,906
Accounts payable	377,923	(7,783)
Accrued interest payable	7,419	10,953
Net Cash from Operating Activities	271,668	(1,423,650)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of real property	-	440,000
Proceeds from sale and maturities of investments	197,345	-
Purchases of investments	(151,186)	(197,345)
Net Cash from Investing Activities	46,159	242,655
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	257,262	1,815,312
Proceeds from loan payable	-	300,000
Principal repayments of line of credit	(350,000)	(728,754)
Principal repayments of loans payable	(273,040)	(222,216)
Net Cash from Financing Activities	(365,778)	1,164,342
Net Change in Cash	(47,951)	(16,653)
<b>CASH</b>		
Beginning of year	99,493	116,146
End of year	\$ 51,542	\$ 99,493
<b>SUPPLEMENTARY DISCLOSURES OF CASH FLOWS INFORMATION</b>		
Cash paid for interest	\$ 191,508	\$ 178,155

See notes to financial statements

**Yonkers Downtown Waterfront Development Corporation**  
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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 accounting principles generally accepted in the United States of America 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 received. 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 is 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.

*Allowance for Uncollectible Receivables*

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. Management has determined that no reserves are required.

*Fair Value of Financial Instruments*

The Corporation follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* 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.

*Investments*

Investments consist of a certificate of deposit maturing in more than three months and secured by Federal Deposit Insurance Coverage. The certificate of deposit is valued at cost plus accrued interest which approximates fair value.

*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.

**Yonkers Downtown Waterfront Development Corporation**  
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Notes to Financial Statements

**2. Summary of Significant Accounting Policies (continued)**

***Asset Impairment***

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If this review indicates that the value of the asset will not be recoverable, as determined based on a projected cash flows approach related to the asset over its remaining life, then the carrying value of the asset is reduced to its estimated fair value. During 2009, the Corporation took an impairment charge of \$1,881,385 related to the write-down of its investment in real estate.

***Income Taxes (continued)***

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 Corporation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Management has determined that the Corporation had no uncertain tax positions that would require financial statement recognition. The Corporation is no longer subject to audits by the applicable taxing jurisdictions for periods prior to December 31, 2007.

***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 is March 14, 2011.

**3. Investment in Real Estate**

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

	2010	2009
Land	\$ 658,485	\$ 1,222,900
Building and improvements	1,706,145	3,023,115
Impairment charge	-	(1,881,385)
	2,364,630	2,364,630
Accumulated depreciation	(639,053)	(604,630)
	\$ 1,725,577	\$ 1,760,000



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Notes to Financial Statements

**4. Line of Credit Payable - Bank**

The Corporation has a line of credit aggregating \$1.5 million. Outstanding borrowings under the line are due on demand with interest at prime plus one-half of one percent, payable monthly. The line of credit is secured by New York State funding through a local development corporation and expires on December 31, 2011. At December 31, 2010 and 2009, outstanding borrowing aggregated \$993,820 and \$1,086,558, respectively. Interest expense of \$45,605 and \$29,138, included in project expenses, was incurred for the years ended December 31, 2010 and 2009.

**5. Loans Payable**

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

	<u>2010</u>	<u>2009</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
Loan payable to the City of Yonkers, dated October 20, 1999 with interest accruing at the 180 day London Interbank Offering 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
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 2011; secured by property located at 55-61 Main Street, Yonkers, New York	18,075	18,075
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	532,403	541,100

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Notes to Financial Statements

**5. Loans Payable (continued)**

	<u>2010</u>	<u>2009</u>
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.	\$ 1,551,509	\$ 1,778,755
Loan payable to the Empire State Development Corporation dated September 1, 2009, due in quarterly installments of \$23,005 including interest at 3%, maturing December 1, 2013.	<u>262,903</u>	<u>300,000</u>
	<u>\$ 3,127,390</u>	<u>\$ 3,400,430</u>

As of December 31, 2010 aggregate annual debt maturities, excluding interest, were as follows:

2011	\$ 353,675
2012	353,656
2013	372,581
2014	299,670
2015	318,395
Thereafter	<u>1,429,413</u>
	<u>\$ 3,127,390</u>

**6. 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 fair value of these services was \$196,052 and \$206,188 for the years ended December 31, 2010 and 2009, respectively.

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Notes to Financial Statements

**7. 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.

**8. 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. Deferred rent receivable is due from a single lessee.

**9. Revenues – Empire State Development Corporation**

The Corporation has entered into a cost reimbursement contract with the Empire State Development Corporation for up to \$10 million (state sources) to be used for a portion of the planning soft costs (project expenses) necessary to evaluate the components of the City of Yonkers Master Plan including, but not limited to, environmental, engineering, economic, feasibility and other studies and preliminary planning and budgetary processes. Funding will be disbursed to the Corporation during the course of the project and, no more frequently than monthly.