

Yonkers Industrial Development Agency

Financial Statements
With Supplementary Information

December 31, 2006 and 2005



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

Independent Auditors' Report

To the Board of Directors of the Yonkers Industrial Development Agency

We have audited the accompanying statement of net assets of the Yonkers Industrial Development Agency (the "Agency") as of December 31, 2006 and 2005 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the Yonkers Industrial Development Agency. 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. 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 Agency'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 and 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 Industrial Development Agency as of December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the accompanying supplementary schedule of industrial revenue bonds and notes issued is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

O'Connor Davies Munns & Dobbins, LLP

White Plains, New York
March 7, 2007

Yonkers Industrial Development Agency

Statement of Net Assets

December 31,

	2006	2005
ASSETS		
Current Assets		
Cash and equivalents	\$ 1,380,157	\$ 3,141,254
Accounts receivable, net	857,735	300
Economic Development Projects	670,000	2,085,000
Prepaid expenses	379,773	459,956
Restricted cash and equivalents	971,678	-
Total Current Assets	4,259,343	5,686,510
Investments	34,028	124,712
Equipment, net	12,679	191
Total Assets	\$ 4,306,050	\$ 5,811,413
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 25,399	\$ 72,271
Accrued expenses	140,247	42,000
Scholarship payable	7,195	107,195
Due to other governments	853,614	-
Due to other entities	971,678	2,000,000
Total Current Liabilities	1,998,133	2,221,466
Due to other entities	1,200,000	-
Total Liabilities	3,198,133	2,221,466
 NET ASSETS		
Unrestricted	1,107,917	3,589,947
Total Liabilities and Net Assets	\$ 4,306,050	\$ 5,811,413

See notes to financial statements

Yonkers Industrial Development Agency

Statement of Activities

For the Years Ended December 31,

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Payments in lieu of taxes	\$ -	\$ 120,000
Agency fees	884,700	1,907,308
Rent	-	255,000
Application and administrative fees	5,200	9,900
Management fees	-	50,000
Miscellaneous income	3,318	10,680
	<u>893,218</u>	<u>2,352,888</u>
OPERATING EXPENSES		
Salaries	325,018	243,293
Payroll taxes and employee benefits	85,023	73,646
Rental and lease termination	314,415	-
Consulting fees	360,022	320,783
Professional fees	281,525	201,703
Advertising, printing and reproduction	73,019	61,160
Auto	8,709	7,795
Insurance	8,594	6,152
Conferences and meetings	30,433	28,750
Communications	18,138	14,612
Office supplies and expenses	8,781	5,321
Depreciation	1,648	328
Contributions	100,195	126,215
Bad debt expense	-	17,950
	<u>1,615,520</u>	<u>1,107,708</u>
Income (loss) from Operations	<u>(722,302)</u>	<u>1,245,180</u>
NON-OPERATING REVENUES		
Interest and dividend income	33,945	12,709
Realized and unrealized gain on marketable securities	4,941	3,717
	<u>38,886</u>	<u>16,426</u>
CHANGE IN NET ASSETS BEFORE OTHER EXPENSE	<u>(683,416)</u>	<u>1,261,606</u>
Other Expense	<u>(1,798,614)</u>	<u>-</u>
Change in Net Assets	<u>(2,482,030)</u>	<u>1,261,606</u>
Net Assets - Beginning of Year	<u>3,589,947</u>	<u>2,328,341</u>
Net Assets - End of Year	<u>\$ 1,107,917</u>	<u>\$ 3,589,947</u>

See notes to financial statements

Yonkers Industrial Development Agency

Statement of Cash Flows

Years Ended December 31,

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 479,105	\$ 4,411,598
Cash payments for goods and services	(1,945,596)	(1,216,371)
Cash payments to employees	<u>(410,041)</u>	<u>(318,671)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,876,532)</u>	<u>2,876,556</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	<u>(14,135)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(34,028)	(124,712)
Sale of Investments	124,712	116,493
Interest and dividend income	33,945	12,709
Realized and unrealized gain on marketable securities	<u>4,941</u>	<u>3,717</u>
Net Cash Provided by Investing Activities	<u>129,570</u>	<u>8,207</u>
Net Increase (Decrease) in Cash	(1,761,097)	2,884,763
CASH		
Beginning of Year	<u>3,141,254</u>	<u>256,491</u>
End of Year	<u>\$ 1,380,157</u>	<u>\$ 3,141,254</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income (loss) from operations	\$ (722,302)	\$ 1,245,180
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	1,648	328
Changes in operating assets and liabilities:		
Accounts receivable	(857,435)	82,650
Due from City of Yonkers	-	166,060
Economic development projects	1,415,000	(190,000)
Prepaid expenses	80,183	(453,920)
Restricted cash	(971,678)	-
Accounts payable	(46,872)	55,677
Accrued expenses	98,247	(32,185)
Scholarship payable	(100,000)	2,766
Due to other governments	(945,001)	
Due to other entities	<u>171,678</u>	<u>2,000,000</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,876,532)</u>	<u>\$ 2,876,556</u>

See notes to financial statements

Yonkers Industrial Development Agency

Notes to Financial Statements

1. Organization

The Yonkers Industrial Development Agency (the "Agency") was created in 1982 as a public benefit corporation by the New York State Legislature under the provisions of Chapter 526 for the purpose of promoting and supporting the development of commerce, bolstering employment and stimulating economic growth and prosperity in the City of Yonkers, New York. The Agency is exempt from Federal, State and Local income taxes. The Agency although supported by the City of Yonkers ("City"), is a separate entity and operates independently from the City. Members of the governing board are appointed by the Mayor of the City for specified terms.

2. Summary of Significant Accounting Policies

Financial Reporting Entity

The Agency has been identified as an organization related to the City. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 14, the Agency is not considered a component unit of the City.

Basis of Accounting

The Agency reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Agency applies all applicable Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989 in accounting and reporting for its operations.

Cash and Equivalents

Cash and equivalents consist of funds deposited in time and demand deposit accounts. Collateral is required for these deposits at 100% of all deposits not covered by Federal deposit insurance. The Agency 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.

Investments

Investments are stated at fair value, which is based on quoted market prices.

Equipment

Furniture and fixtures are stated at cost. Depreciation is computed using the straight-line method over an estimated useful life of seven years.

Yonkers Industrial Development Agency

Notes to Financial Statements

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use. Net assets on the statement of net assets 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 these estimates.

3. Restricted Cash

Restricted cash and cash equivalents consist of funds held in escrow by the Agency for the Austin Avenue project. Funds are released as authorized invoices are presented for reimbursement.

4. Economic Development Entities Projects

In accordance with an agreement dated September 30, 2002 between the Yonkers Alexander Street Redevelopment Corporation ("YASR") and the Agency, YASR, whose purpose is to foster economic opportunities to benefit the City of Yonkers, agrees to pay \$1,025,000, with no interest thereon, payable at the earlier of either, three years from the date of the agreement or the sale of the Alexander Street property.

In accordance with an agreement dated November 26, 2002 between YASR and the Agency, the Agency agreed to fund an additional \$100,000 with no interest thereon, payable at the earlier of either, three years from the date of the agreement or the sale of the Alexander Street property.

In accordance with an agreement dated March 3, 2003 between YASR and the Agency, the agency agreed to fund an additional \$50,000 with no interest thereon, payable at the earlier of either, one year from date of the agreement or the sale of the Alexander Street property.

In accordance with an agreement dated December 9, 2004 between Nepperhan Valley Technology Center (NVTC) and the Agency, the Agency advanced \$240,000 to NVTC, with interest at 5% on the unpaid balance, payable on or before December 8, 2006.

As of December 31, 2005 all of the above amounts had been advanced and were outstanding. All of the above amounts were repaid to the Agency in 2006.

Yonkers Industrial Development Agency

Notes to Financial Statements

4. Economic Development Entities Projects *(continued)*

In accordance with an agreement dated November 1, 2002 between the Yonkers Baseball Development Corporation and the Agency, the Yonkers Baseball Development Corporation was advanced \$670,000 (Note 10). As of December 31, 2006 and 2005, \$670,000 has been advanced and was still outstanding.

5. Equipment

Equipment at December 31, 2006 and 2005 consisted of furniture and fixtures. Depreciation expense was \$1,648 and \$328 for the years ended December 31, 2006 and 2005 respectively.

6. Scholarships Payable

The Agency receives funds from private contributors for the establishment of a scholarship fund for Yonkers residents. The criteria for eligibility and award is determined by the Yonkers Public Schools. The amount available for scholarships was \$7,195 and \$107,195 at December 31, 2006 and 2005 respectively.

7. Pension Plan

The Agency participates in the New York State and Local Employee's Retirement System ("ERS"). This System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System.

Funding Policy - The System is non-contributory except for employees who joined after July 27, 1976 and have less than ten years of service, who contribute 3% of their salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion ("GTLI") and regular pension contributions. Contribution rates for the plan's year ending in March 2007 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
4 A15	9.7%

Contributions made to the system for the current and two preceding years ending December 31, were as follows:

2006	\$	27,593
2005		24,941
2004		39,867

Yonkers Industrial Development Agency

Notes to Financial Statements

8. Operating Leases

The Agency is obligated under a non-cancelable operating lease for a vehicle. Minimum future rental payments under this non-cancelable operating lease are \$5,832 for 2007 and 2008 and \$4,374 for 2009. Lease expense included in operations under auto expense was \$6,042 and \$6,336 for the years ended December 31, 2006 and 2005 respectively.

9. Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency 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 there from 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 Agency receives bond administration fees from the borrowing companies. The fee received by the Agency is one percent of the bond amount. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

10. Related Party - Yonkers Baseball Development Corporation

The Agency is the sole shareholder of the Yonkers Baseball Development Corporation ("YBDC"). The YBDC is a for profit entity whose purpose is to promote recreational activity to assist in the revitalization of downtown Yonkers in an area known as Chicken Island, Yonkers, New York. The YBDC intends to transfer its rights in the project to the developer chosen by the City of Yonkers. The YBDC was funded under an agreement from the Agency (Note 4) dated November 1, 2002.

11. Contingencies

In 1979, the City entered into a Consent Order with the New York State Department of Environmental Conservation (NYSDEC) to remediate the Austin Avenue landfill site located in the City of Yonkers. The cost of capping this site is estimated to be approximately \$4.5 million. In December 2004, the City Council approved a plan that would allow the Agency, through the NYSDEC's Brownfield Remediation and Empire Zone Program, to issue bonds to pay for the remediation of the landfill site. The Agency bonds would be repaid from the annual proceeds of a new supplemental payment in lieu of tax (PILOT) agreement from a local developer, who owns the property adjacent to the

Yonkers Industrial Development Agency

Notes to Financial Statements

11. Contingencies *(continued)*

landfill site. The City Council has waived the City's right to the receipt of the supplemental PILOT payments in order to pledge those receipts to the repayment of the Agency bonds. The City Council further agreed that, based on the City's obligation under the Consent Order, the City will pay any shortfalls in debt service payments on the Agency bonds or costs of environmental remediation in excess of amounts available from the Agency bonds. Council has indicated that project costs should remain within the Agency bond authorization limits. Once the project is completed, it is not currently anticipated that this site will require ongoing monitoring operations.

The Agency underwent an audit by the Office of the Comptroller of New York State in conjunction with audits of the City of Yonkers and the Yonkers Board of Education during 2006. The Agency responded to the report, answering all questions and concerns raised by the Comptroller's Office. There was no impact on the financial position of the Agency.

The Agency is a named defendant in litigation involving land use and municipal approvals. While the outcome of these lawsuits or other proceedings against the Agency cannot be predicted with certainty, the Agency does not expect that these matters will have any materially adverse effect on its financial position.

12. Other Expense

The Agency had entered into approximately fourteen Payment-in-lieu-of-tax agreements ("PILOT's") since 1994. Under all of these PILOT agreements, Westchester County's (the "County") share has not been remitted or otherwise allocated to the County since 1994 because the Agency used the PILOT revenue for economic development and was under the belief that if it did so, the City would not have to remit to the County, its entitled share of the payments. The County however, believed that the County share of these PILOT payments should have been paid over by the Agency and not retained for economic development purposes and had sought payment of its legal share of the referenced PILOT payments. In an agreement made between the Agency and the County in 2007, the Agency agreed to pay the County \$598,614 within thirty days of the signing of the agreement. In addition, the Agency agreed to pay the County an amount equal to \$240,000 on July 1st of each year, beginning in 2008 and continuing for a period of five years through 2012. The agreed upon amounts totaled \$1,798,614.

13. Rental and Lease Termination

The Agency and N-Valley Technology Center, Inc. ("NVTC"), entered into a commercial sublease dated May 1, 2006 for sublease of a certain portion of the N-Valley building to be used as a dialysis center ("Dialysis Center Lease"). This was done so that the Agency could reserve the space for a potential dialysis center project to be undertaken by the Agency. In 2006, NVTC was sold and the buyer had requested termination of the Dialysis Center Lease and NVTC and the Agency agreed to terminate the lease pursuant to certain provisions. The net cost of the terminated lease was \$228,915, which is included in operations under the rental and lease termination caption.

Yonkers Industrial Development Agency

Notes to Financial Statements

14. Risk Management

The Agency purchases conventional insurance coverage for Directors and Officers liability. The current policy reflects a limit of \$1 million per occurrence or \$1 million for the period of the policy.

15. Payroll and related costs

Salaries expense includes the balance of vacation and sick time paid to a former Director upon retirement.

16. Reclassifications

Certain reclassifications have been made to the 2005 financial statements to conform with the 2006 presentation.

Yonkers Industrial Development Agency

Schedule of Industrial Revenue Bonds and Notes Issued

December 31, 2006

Project	Date of Issue	Original Issue Value	Outstanding Balance at January 1, 2006
Consumer Union	July 1989	\$ 20,000,000	\$ 600,000
Consumer Union	December 1991	10,000,000	300,000
St. Joseph's Medical Center	March 1993	4,715,000	2,810,000
Westchester School for Special Children	November 1993	4,055,000	3,390,000
Consumer Union	December 1994	15,000,000	350,000
St. Joseph's Medical Center	March 1998	28,500,000	21,100,000
Hudson Scenic Studios, Inc.	June 1999	6,360,000	5,180,000
Michael Malotz Skilled Nursing Pavilion	June 1999	15,000,000	13,670,000
Philipsburgh Hall Associates, L.P.	December 1999	2,800,000	1,670,000
11 - 23 St. Casimir Avenue, L.P.	January 2001	9,695,000	9,460,000
Community Development Properties *	February 2001	53,260,000	52,705,000
St. John's Riverside	February 2001	26,295,000	25,040,000
Sarah Lawrence College, Series A	June 2001	25,750,000	42,550,000
Sarah Lawrence College, Series B	June 2001	8,900,000	5,150,000
Greyston Bakery	December 2001	3,125,000	2,815,000
Morris Industries	December 2004	1,500,000	1,500,000
Herriot Street Housing L.P. Project	March 2004	16,400,000	15,945,000
Monastery Manor Association, L.P.	September 2005	9,500,000	9,500,000
Consumer Union	December 2005	47,300,000	47,300,000
Main Street Lofts	December 2005	44,600,000	44,600,000
JME Associates	June 2006	8,160,000	-
Salgra Realty, L.L.C.	June 2006	3,840,000	-
Sacred Heart	September 2006	9,500,000	-
Jefferson Terrace, L.L.C.	December 2006	4,400,000	-
Whitney Young Manor, L.P.	December 2006	19,800,000	-
Total Indebtedness		<u>\$ 398,455,000</u>	<u>\$ 305,635,000</u>

* - Issue defeased in 2006.

See independent auditors' report

<u>New Issues</u>	<u>Payments</u>	<u>Outstanding Balance at December 31, 2006</u>
\$ -	\$ 600,000	\$ -
-	300,000	-
-	260,000	2,550,000
-	85,000	3,305,000
-	350,000	-
-	1,300,000	19,800,000
-	240,000	4,940,000
-	175,000	13,495,000
-	25,000	1,645,000
-	90,000	9,370,000
-	52,705,000	-
-	345,000	24,695,000
-	500,000	42,050,000
-	50,000	5,100,000
-	120,000	2,695,000
-	1,500,000	-
-	325,000	15,620,000
-	-	9,500,000
-	-	47,300,000
-	-	44,600,000
8,160,000	100,000	8,060,000
3,840,000	45,000	3,795,000
9,500,000	-	9,500,000
4,400,000	-	4,400,000
19,800,000	-	19,800,000
<u>\$ 45,700,000</u>	<u>\$ 59,115,000</u>	<u>\$ 292,220,000</u>

Yonkers Industrial Development Agency

Schedule of Industrial Revenue Bonds and Notes Issued

December 31, 2005

Project	Date of Issue	Original Issue Value	Outstanding Balance at January 1, 2005
Consumer Union	July 1989	\$ 20,000,000	\$ 15,200,000
Consumer Union	December 1991	10,000,000	8,000,000
St. Joseph's Medical Center	March 1993	4,715,000	3,050,000
Westchester School for Special Children	November 1993	4,055,000	3,470,000
Consumer Union	December 1994	15,000,000	12,800,000
St. Joseph's Medical Center	March 1998	28,500,000	20,200,000
Hudson Scenic Studios, Inc.	June 1999	6,360,000	5,405,000
Michael Malotz Skilled Nursing Pavilion	June 1999	15,000,000	14,005,000
Philipsburgh Hall Associates, L.P.	December 1999	2,800,000	1,695,000
11 - 23 St. Casimir Avenue, L.P.	January 2001	9,695,000	9,585,000
Community Development Properties	February 2001	53,260,000	52,900,000
St. John's Riverside	February 2001	26,295,000	25,385,000
Sarah Lawrence College, Series A	June 2001	25,750,000	42,800,000
Sarah Lawrence College, Series B	June 2001	8,900,000	5,250,000
Greyston Bakery	December 2001	3,125,000	2,925,000
Morris Industries	December 2004	1,500,000	1,500,000
Herriot Street Housing L.P. Project	March 2004	16,400,000	16,265,000
Monastery Manor Association, L.P.	September 2005	9,500,000	-
Consumer Union	December 2005	47,300,000	-
Main Street Lofts	December 2005	44,600,000	-
Total Indebtedness		\$ 352,755,000	\$ 240,435,000

See independent auditors' report

<u>New Issues</u>	<u>Payments</u>	<u>Outstanding Balance at December 31, 2005</u>
\$ -	\$ 14,600,000	\$ 600,000
-	7,700,000	300,000
-	240,000	2,810,000
-	80,000	3,390,000
-	12,450,000	350,000
2,100,000	1,200,000	21,100,000
-	225,000	5,180,000
-	335,000	13,670,000
-	25,000	1,670,000
-	125,000	9,460,000
-	195,000	52,705,000
-	345,000	25,040,000
-	250,000	42,550,000
-	100,000	5,150,000
-	110,000	2,815,000
-	-	1,500,000
-	320,000	15,945,000
9,500,000	-	9,500,000
47,300,000	-	47,300,000
44,600,000	-	44,600,000
<u>\$ 103,500,000</u>	<u>\$ 38,300,000</u>	<u>\$ 305,635,000</u>