New Main Street Development Corporation

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

Financial Statements

Year Ended December 31, 2014

O'CONNOR DAVIES

PKF

Independent Auditors' Report

The Board of Directors of
New Main Street Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the New Main Street Development Corporation ("Corporation") (a component unit of the City of Yonkers, New York) as of and for the year ended December 31, 2014 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 audit. We conducted our audit 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 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 Corporation'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 Corporation'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.

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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, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing 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. Our opinion on the financial statements is not affected by this missing information.

Report on Comparative Information

We have previously audited the Corporation's December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated January 23, 2015. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 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 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated November 23, 2015 on our consideration of the Corporation's compliance with Section 2925(3)(1) of the New York State Public Authorities Law ("Law). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
November 23, 2015

New Main Street Development Corporation
(A Component Unit of the City of Yonkers, New York)

Comparative Statement of Net Position
December 31,

	2014	2013
ASSETS		
Cash and equivalents	$ 9,061	$ 414,638
Accounts receivable	-	22,830
Grants receivable	1,083,108	-
Due from City of Yonkers	-	22,317
Prepaid insurance	3,971	-
Land held for economic development	6,414,237	4,739,841
Total Assets	7,510,377	5,199,626
LIABILITIES		
Accounts payable	527,540	38,317
Due to City of Yonkers	577,825	28,634
Unearned revenues	-	350,000
Total Liabilities	1,105,365	416,951
NET POSITION		
Unrestricted	$ 6,405,012	$ 4,782,675

The notes to the financial statements are an integral part of this statement.

New Main Street Development Corporation
(A Component Unit of the City of Yonkers, New York)

Comparative Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31,

	2014	2013
OPERATING REVENUES		
State grant	$ 1,678,196	$ 1,964,484
Rental income	12,068	151,540
Total Operating Revenues	1,690,264	2,116,024
OPERATING EXPENSES		
Insurance	12,603	37,066
Consulting	20,801	23,179
Professional fees	16,315	16,530
Property taxes	15,196	13,779
Repairs and maintenance	1,875	5,449
Printing and postage	47	136
Miscellaneous	1,090	768
Total Operating Expenses	67,927	96,907
Income from Operations	1,622,337	2,019,117
NET POSITION		
Beginning of Year	4,782,675	2,763,558
End of Year	$ 6,405,012	$ 4,782,675

The notes to the financial statements are an integral part of this statement.

New Main Street Development Corporation
(A Component Unit of the City of Yonkers, New York)

Comparative Statement of Cash Flows
Years Ended December 31,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from City of Yonkers	$ 1,305,569	$ 2,354,145
Cash receipts from rental income	34,898	128,710
Cash payments for goods and services	(71,648)	(99,934)
Net Cash from Operating Activities	1,268,819	2,382,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of land held for economic development	(1,674,396)	(1,968,283)
Net Change in Cash and Equivalents	(405,577)	414,638
CASH AND EQUIVALENTS		
Beginning of Year	414,638	-
End of Year	$ 9,061	$ 414,638
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	$ 1,622,337	$ 2,019,117
Adjustments to reconcile income from operations to net cash from operating activities		
Accounts receivable	22,830	(22,830)
Grants receivable	(1,083,108)	2,771,558
Due from City of Yonkers	22,317	(22,317)
Prepaid insurance	(3,971)	-
Accounts payable	489,223	(3,027)
Due to City of Yonkers	549,191	(2,709,580)
Unearned revenues	(350,000)	350,000
Net Cash from Operating Activities	$ 1,268,819	$ 2,382,921

The notes to the financial statements are an integral part of this statement.

Note 1 - Organization and Purpose

The New Main Street Development Corporation ("Corporation") was created in 2007 as a local development corporation by the City of Yonkers, New York ("City") under the provisions of Internal Revenue Service ("IRS") Section 115 to promote and provide for additional and maximum employment opportunities, promote economic development, lessen the burden of government and act in the public interest. Specific focuses of the Corporation are the redevelopment of distressed areas in downtown Yonkers and the daylighting of the Saw Mill River. 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 sole member of the Corporation shall be the Deputy Mayor of the City, ex officio. The Corporation is managed by a Board of Directors that serves at the pleasure of the sole member and therefore, the City is considered able to impose its will on the Corporation.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Corporation has been identified as a component unit of the City. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 61, "*The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No.14 and No. 34*", the Corporation's financial statements have been discretely presented in the City's financial statements.

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.

Cash and Equivalents

Cash and equivalents consist of funds deposited in demand deposit accounts. Collateral is required for these deposits at 100% of all deposits not covered by Federal deposit insurance. The Corporation has entered into custodial agreements with the depositories which hold their deposits. These agreements authorize 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.

Receivables

Receivables are recorded and revenues recognized as earned. Allowances would be recorded when appropriate.

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

State and Federal Government Grants and Contracts

Grants are recorded as contributions based on the criteria contained in the grant award. Revenue is recognized in the accounting period when the related allowable expenses are incurred.

Due From/To City of Yonkers

During the course of its operations, the Corporation has numerous transactions with the City to finance operations or provide services. To the extent that certain transactions between the Corporation and the City had not been paid or received as of December 31, 2014, balances of interfund amounts receivable or payable have been recorded.

Land Held for Economic Development

The Corporation records land held for economic development at cost. Cost includes land and property acquisition and other related closing costs. Once acquired, the properties will be condemned and redeveloped as waterfront open space.

Net Position

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

Use of Estimates

The preparation of the financial statements in conformity with 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. 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 November 23, 2015.

Note 3 - Risk Management

The Corporation purchases conventional insurance coverage for directors and officers liability. The current policy provides coverage up to $1 million per occurrence or $1 million for the period of the policy.

Note 4 - Pension Plans and Other Post Employment Benefit Obligations

The Corporation does not have any paid employees and therefore, does not provide pension or health care benefits for retired employees.

Note 5 - Revenues - Empire State Development Corporation

The Corporation has entered into a cost reimbursement contract with the Empire State Development Corporation, through the City, for up to $8 million to be used for the cost of the acquisition, via condemnation, of six properties located on New Main Street. Once acquired, the properties will be cleared and redeveloped as waterfront open space.

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O'CONNOR DAVIES

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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
New Main Street 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 New Main Street Development Corporation ("Corporation") as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2015.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
November 23, 2015

O'CONNOR DAVIES

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Independent Accountants' Report on Compliance with Section 2925(3)(1) of the New York State Public Authorities Law

The Board of Directors of the
New Main Street Development Corporation

We have examined the New Main Street Development Corporation's ("Corporation") compliance with Section 2925(3)(1) of the New York State Public Authorities Law during the year ended December 31, 2014. Management is responsible for the Corporation's compliance with those requirements. Our responsibility is to express an opinion on the Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2014.

This report is intended solely for the information and use of management, the Board of Directors, officials of the City of Yonkers, New York and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
November 23, 2015

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