

New Rochelle Industrial Development Agency

(A Discretely Presented Component Unit of the
City of New Rochelle, New York)

Financial Statements
and Supplementary Information

Year Ended December 31, 2020

New Rochelle Industrial Development Agency

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

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Independent Auditors' Report

The Board of Directors of the New Rochelle Industrial Development Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the New Rochelle Industrial Development Agency ("Agency"), a discretely presented component unit of the City of New Rochelle, New York, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Agency's financial statements as listed in the table of contents. The financial statements of the Agency as of December 31, 2019, were audited by other auditors whose report dated March 19, 2020 expressed an unmodified opinion.

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 Agency'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 Agency'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 respective financial position of the Agency, as of December 31, 2020 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 4 in the notes to financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of COVID-19 (“Coronavirus”). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Agency’s financial statements. The schedule of budget with actual is presented for purposes of additional analysis and are 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021 on our consideration of the Agency’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 solely 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 Agency’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 Agency’s internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 24, 2021

NEW ROCHELLE - INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Management's Discussion and Analysis (Unaudited)
For the year ended December 31, 2020

The following is a discussion and analysis of the New Rochelle - Industrial Development Agency ("IDA") financial performance for the fiscal year ended December 31, 2020. The section is a summary of the IDA's financial activities based on currently known facts, decisions, or conditions. This section is only an introduction and should be read in conjunction with the IDA's financial statements, which immediately follow this section.

Organization

The New Rochelle Industrial Development Agency is a public benefit corporation created in 1977 pursuant to Section 908-b of the New York State General Municipal Law. Its seven-member governing board is appointed by the New Rochelle City Council to indefinite terms. Presently, a member of the New Rochelle City Council serves as the IDA's Vice Chair and the City Manager of the City of New Rochelle serves as the IDA's Chair. A representative from the New Rochelle School District serves on the board as well as four other residents of the City of New Rochelle.

The IDA is a separate entity and operates independently from the City of New Rochelle. However, because the City appoints its board of directors, the IDA is financially accountable to the City and is also included in the City's financial statements as a component unit.

Financial Highlights

- During the current year of operations, the Agency's net position decreased by \$36,321.
- Total revenues for the fiscal year 2020 were \$813,880 an increase of \$251,048 or 44.6%.
- Total expenses for fiscal year 2020 were \$850,201, a decrease of \$315,483 or 27.1% from the prior year.

Overview of the Financial Statements

The basic financial statements include the statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements. The IDA also includes in this report additional information to supplement the basic financial statements.

The first of these statements is the Statement of Net Position. This is the statement of financial position presenting information that includes all of the IDA's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the IDA as a whole is improving or deteriorating. Evaluation of the overall economic health of the IDA must include other non-financial factors such as the economic picture of the City and the State, in addition to the financial information provided in this report.

The second statement is the Statement of Revenues, Expenses and Changes in Net Position, which reports how the IDA's net position changed during the current and previous fiscal period. Revenues and expenses are included when earned or incurred, regardless of when cash is received or paid.

The third statement is the Statement of Cash Flows, which shows the sources and uses of cash.

The accompanying Notes to the Financial Statements provide information essential to a full understanding of the financial statements.

Below is a summary of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2020 and 2019:

Summary of Net Position

	2020	2019	Dollar Change	Percent Change
Current assets	\$ 750,851	\$ 729,243	\$ 21,608	3.0%
Total assets	750,851	729,243	21,608	3.0%
Current liabilities	99,561	41,632	57,929	139.1%
Total liabilities	99,561	41,632	57,929	139.1%
Net position:				
Unrestricted	\$ 651,290	\$ 687,611	\$ (36,321)	-5.3%

Summary of Changes in Net Position

	Fiscal Year		Dollar Change	Percent Change
	2020	2019		
Revenues:				
Charges for services	\$ 748,821	\$ 512,250	\$ 236,571	46.2%
Application fees	3,600	6,600	(3,000)	-45.5%
Service income	47,500	37,000	10,500	28.4%
Miscellaneous income	13,255	4,972	8,283	166.6%
Interest income	704	2,010	(1,306)	-65.0%
Total revenues	\$ 813,880	\$ 562,832	\$ 251,048	\$ 0
Expenses:				
Personnel services and benefits	201,734	201,734	-	0.0%
Professional services	68,019	72,269	(4,250)	-5.9%
Memberships and subscriptions	850	21,200	(20,350)	-96.0%
Advertising	6,741	398,283	(391,542)	-98.3%
Miscellaneous expenses	509	6,198	(5,689)	-91.8%
Job Training	346,344	250,000	96,344	38.5%
Other	226,004	216,000	10,004	4.6%
Total expenses	850,201	1,165,684	(315,483)	-27.1%
Change in net position	\$ (36,321)	\$ (602,852)	\$ 566,531	-94.0%

During 2020, seventeen total transactions were consummated, seven of which constituted a closing of an approved project: BRP 10 Commerce, LLC; New Rochelle Birch Development, LLC; CH New Rochelle, LLC; WBLM 25 Maple Owner, LLC; MJ Garden, LLC; Georgica Green Ventures, LLC; and Lincoln Renaissance, LLC. The remaining ten constituted smaller transactions such as terminations and refinancing transactions. Of the seven projects that closed in 2020, two were approved in 2018, two were approved in 2019, and three were approved in 2020. All seventeen projects resulted in a total transaction fee of \$748,821 in 2020. Five additional projects are anticipated to close in 2021 with an estimated transaction fee of \$509,937, which constitutes a 40% split of the transaction fee with the Corporation for Local Development, pursuant to the adoption of the Unified Joint Application and fee schedule. The net impact of the projects that closed in 2020 is an increase of \$236,571 from the prior year total. Annual service, application and other fees increased by \$15,783 while interest income decreased slightly from the prior year by \$1,306.

Budgetary Highlights

The IDA adopts an annual budget and reports the results of operations on a budgetary comparison basis.

In preparing its budget, the IDA attempts to estimate its revenues using realistic, but conservative, methods so as to budget its expenditure appropriations and activities in a prudent manner. The original FY 2020 budget anticipated the completion of six new transactions at estimated transaction fees of \$627,978. Seventeen transactions, including smaller transactions such as refinancing and terminations, were concluded in 2020 generating transaction fees of \$748,821, with five additional projects anticipated to close in 2021 with an estimated transaction fee of approximately \$509,937.

The adopted FY 2020 budget anticipated a deficiency of \$370,974 to the fund balance to finance estimated expenditures of \$1,050,552. Actual expenditures were \$200,351 or 19.07% less than budget. Actual Revenues were \$135,598 or 20.0% greater than budget. The fund balance in FY 2020 decreased minimally by \$36,321, available reserves for future years from \$687,611 to \$651,290.

Economic Factors

The IDA will continue to look for funding opportunities to further its mission of promoting local development. Each year, the IDA will evaluate opportunities for investment of its resources in furthering this mission.

Contacting Administration

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the IDA's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact the New Rochelle Industrial Development Agency's Board at City Hall, 515 North Avenue, New Rochelle, New York.

City of New Rochelle Industrial Development Agency
(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Statement of Net Position
December 31,

	<u>2020</u>
ASSETS	
Cash and equivalents	\$ 723,520
Accounts receivable	26,970
Prepaid expense	<u>361</u>
Total Assets	<u><u>\$ 750,851</u></u>
LIABILITIES	
Accounts payable	\$ 99,561
NET POSITION	
Unrestricted	<u>651,290</u>
Total Liabilities and Net Position	<u><u>\$ 750,851</u></u>

See notes to financial statements

City of New Rochelle Industrial Development Agency

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31,

	<u>2020</u>
OPERATING REVENUES	
Charges for services	\$ 748,821
Application fees	3,600
Service income	47,500
Miscellaneous income	<u>13,255</u>
Total Operating Revenues	<u>813,176</u>
OPERATING EXPENSES	
Personnel services and benefits	201,734
Professional services	68,019
Memberships and subscriptions	850
Advertising	6,741
Miscellaneous expenses	509
Job training	346,344
Other	<u>226,004</u>
Total Operating Expenses	<u>850,201</u>
Loss from Operations	(37,025)
NON-OPERATING REVENUES	
Interest income	<u>704</u>
Change in Net Position	(36,321)
NET POSITION	
Beginning of year	<u>687,611</u>
Ending of year	<u>\$ 651,290</u>

See notes to financial statements

City of New Rochelle Industrial Development Agency
(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Statement of Cash Flows
Year Ended December 31,

	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from charges for services and fees	\$ 805,676
Cash paid for personal services and fringe benefits	(201,734)
Cash paid for administrative costs	<u>(590,538)</u>
Net Cash from Operating Activities	13,404
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>704</u>
Net Change in Cash and Equivalents	14,108
CASH AND EQUIVALENTS	
Beginning of Year	<u>709,412</u>
End of Year	<u><u>\$ 723,520</u></u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES	
Loss from operations	\$ (37,025)
Changes in operating assets and liabilities	
Accounts receivable	(7,500)
Accounts payable	98,214
Accrued liabilities	<u>(40,285)</u>
Net Cash From Operating Activities	<u><u>\$ 13,404</u></u>

See notes to financial statements

New Rochelle Industrial Development Agency

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Notes to Financial Statements

December 31, 2020

Note 1 - Organization and Purpose

The New Rochelle Industrial Development Agency ("Agency"), a corporate governmental agency constituting a public benefit corporation, was created to assist the City of New Rochelle, New York ("City") in financing projects within the City limits that would enhance the social and economic fabric of the City. Although members of the Agency are appointed by the City Council, the Agency members have complete responsibility for management of the Agency and accountability for all fiscal matters. The Agency is governed by Article 18-A of the General Municipal Law of the State of New York. The Agency is exempt from Federal, State and Local income taxes.

Note 2 - Summary of Significant Accounting Policies

A. 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. 61, the Agency's financial statements have been discretely presented in the City's financial statements.

B. Basis of Accounting

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Agency 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 Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Agency's principal ongoing operation. The principle operating revenue of the Agency is rental of real property and administration fees. Operating expenses include personnel services and benefits, professional fees and planning services. All revenue and expenses not meeting the definition are reported as non-operating revenues and expenses.

C. Assets and Net Position

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist 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.

The Agency's deposits and investment policies are governed by State statutes. The Agency has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Agency is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

New Rochelle Industrial Development Agency

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Notes to Financial Statements (Continued)

December 31, 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Agency has entered into custodial agreements with the various banks 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.

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 Agency 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 government will incur losses in fair value caused by changing interest rates. The Agency 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 Agency 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 Agency's deposits may not be returned to it. GASB Statement No. 40, "*Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*", 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 Agency's name. The Agency's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2020.

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 Agency 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 a government's investments in a single issuer. The Agency's investment policy limits the amount on deposit at each of its banking institutions.

New Rochelle Industrial Development Agency

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Notes to Financial Statements (Continued)

December 31, 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Position - represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

D. 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, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 ("Coronavirus") pandemic and the mitigation responses, and such differences may be material (see Note 4).

E. 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 24, 2021.

Note 3 - Conduit Debt Obligations, Revenue Bonds and Note Transactions

The Agency has issued Revenue Bonds to local non-profit organizations, which provides the organizations the opportunity to utilize tax-exempt financing for eligible projects. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the facilities transfers to the non-profit organization serviced by the bond issuance.

New Rochelle Industrial Development Agency

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Notes to Financial Statements (Concluded)

December 31, 2020

Note 3 - Conduit Debt Obligations, Revenue Bonds and Note Transactions (Continued)

Neither the Agency or the City of New Rochelle, New York is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2020, there were two series of Revenue Bonds outstanding, with an aggregate principal amount payable of \$37,570,628.

Note 4 - Contingencies

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of COVID-19 ("Coronavirus"). The pandemic has resulted in substantial economic volatility on a global scale. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

SUPPLEMENTARY INFORMATION

City of New Rochelle Industrial Development Agency

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Schedule of Budget with Actual Operating Amounts
Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUE				
Charges for services	\$ 627,978	\$ 627,978	\$ 748,821	\$ 120,843
Application fees	3,600	3,600	3,600	-
Service income	46,000	46,000	47,500	1,500
Miscellaneous income	-	-	13,255	13,255
	<u>677,578</u>	<u>677,578</u>	<u>813,176</u>	<u>135,598</u>
OPERATING EXPENSES				
Personnel services and benefits	203,000	203,000	201,734	1,266
Professional services	132,000	152,000	68,019	83,981
Memberships and subscriptions	22,940	2,940	850	2,090
Office supplies	1,000	1,000	-	1,000
Advertising	63,952	63,952	6,741	57,211
Travel and conferences	5,100	5,100	-	5,100
Miscellaneous expenses	1,000	1,000	509	491
Job training	350,000	350,000	346,344	3,656
Other	271,560	271,560	226,004	45,556
	<u>1,050,552</u>	<u>1,050,552</u>	<u>850,201</u>	<u>200,351</u>
Total Operating Expenses	<u>1,050,552</u>	<u>1,050,552</u>	<u>850,201</u>	<u>200,351</u>
Loss from Operations	(372,974)	(372,974)	(37,025)	335,949
NON-OPERATING REVENUES (EXPENSE)				
Interest income	2,000	2,000	704	(1,296)
Deficiency of revenues over expenses	(370,974)	(370,974)	(36,321)	334,653
NET POSITION				
Beginning of Year	<u>370,974</u>	<u>370,974</u>	<u>687,611</u>	<u>316,637</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651,290</u>	<u>\$ 651,290</u>

See independent auditor's report

**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 Rochelle Industrial Development Agency**

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 City of New Rochelle Industrial Development Agency ("Agency"), a discretely presented component unit of the City of New Rochelle, New York as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated March 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 entity'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 Agency'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 Agency'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 Agency'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 24, 2021