

**TROY COMMUNITY LAND BANK CORPORATION  
FINANCIAL REPORT  
DECEMBER 31, 2015**

# TROY COMMUNITY LAND BANK CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

Kevin J. McCoy, CPA

Thomas W. Donovan, CPA

Frank S. Venezia, CPA

James E. Amell, CPA

Carol A. Hausamann, CPA

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Karl F. Newton, CPA

Kevin P. O'Leary, CPA

Heather R. Lewis, CPA

**Board of Directors**  
Troy Community Land Bank Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Troy Community Land Bank Corporation (the Land Bank), which comprise the statement of net position as of December 31, 2015, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, 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.

### **Auditor's 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 auditor's 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 entity'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 entity'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.

Heather D. Patten, CPA

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of the BDO Alliance USA*

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Troy Community Land Bank Corporation as of December 31, 2015, and the changes in its net position and its 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*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

## **Report on Other Legal and Regulatory Requirements**

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the Land Bank'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 Land Bank's internal control over financial reporting and compliance.

*Marvin and Company, P.C.*

Latham, NY  
December 21, 2016

**Troy Community Land Bank Corporation**  
Management's Analysis  
December 31, 2015

**Description**

The current management of the Troy Community Land Bank Corporation (TCLB) has prepared this analysis of the financial activities for the TCLB for the fiscal year ended December 31, 2015. This discussion and analysis focuses on the significant financial issues and activities and identifies significant changes in financial position. 2015 was the initial year of operation of the corporation. Although the organization began activities in 2014, no income was received nor expenditures made until 2015.

**Overview of the Financial Statements**

This analysis is intended to provide a verbal interpretation of the TCLB's financial statements, including notes to the financial statements and the reports on internal control over financial reporting and on compliance.

**Financial Statements**

The TCLB financial statements provide a comprehensive reporting of the organization's 2015 transactions and balances. The difference between the assets and liabilities is reported as net position. Increases or decreases in net position are an indicator of strengthened or weakened financial position.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Financial Analysis**

The year ending December 31, 2015 was the TCLB's first full year of operations. Operating revenue for fiscal year 2015 approximated \$309,000. The TCLB had a net position of approximately \$212,000, which was attributable to grant income net of operating expenses and costs of repair and maintenance of properties, and properties purchased that are held for resale and not expensed.

**Mission and Accomplishments**

The TCLB will stimulate planning, economic development, and neighborhood revitalization by acquiring, managing, and disposing of vacant, abandoned, and underutilized properties in a responsible manner.

The TCLB was established and has adopted policies consistent with its mission and regulations. The TCLB also acquired properties in a manner consistent with its mission and regulations. The TCLB received a \$1,200,000 grant from the Office of the NYS Attorney General. (\$130,359 was disbursed and used in 2015 and \$504,513 was disbursed in 2015 and is currently in deferred revenue, the remainder will be received and expended through December 31, 2016. Those funds will fund the environmental abatement and stabilization of real properties and facilitate the re-creation of more dwelling units for rental and homeownership opportunity as well as commercial spaces and parks. The TCLB during 2015 was housed and staffed via in-kind contributions from the City of Troy with thanks to the administration of Troy Mayor, Lou Rosamilia.

**Economic Factors**

While the City of Troy, New York is experiencing a welcome renaissance in its downtown and adjacent neighborhoods, the outlook for its most distressed neighborhoods is less positive. TCLB arrived on the scene late in 2014 with both real opportunities, and serious problems. The statistics show poverty deepening in the poorest neighborhoods as the population was decreasing. At the same time there has

been a change in perception about the poorest neighborhoods. There is an increasing awareness that demolition alone will come to a dead end. There is a growing willingness to plan for stable, sustainable affordable neighborhoods for the 70% of Troy's residents that are below the area median income. The following is a summary of the TCLB's financial statements' reporting the increase in its net position as of December 31, 2015:

# Troy Community Land Bank Corporation

## Management Analysis 2015

Assets	
	2015
<b>Current Assets</b>	
Cash/Cash Equivalents	565,526
Accounts receivable	25,400
<b>Total Current Assets</b>	590,926
<b>Property Held for Resale</b>	135,849
<b>Property and Equipment</b>	
Equipment and Fixtures	629
Accumulated Depreciation	(21)
<b>Net Property and Equipment</b>	608
<b>Total Assets</b>	727,383
<b>Deferred Grant Income</b>	504,513
<b>Accounts payable</b>	10,234
<b>Total Liabilities</b>	514,747
<b>Net Investment in capital assets</b>	608
<b>Unrestricted</b>	212,028
<b>Total Net Position</b>	212,636

### Statements of Revenues, Expenses, and Changes in Net Position

	2015
<b>Operating Revenues</b>	
Grants	130,359
Property values	98,000
Donations	40,400
In-Kind Donations	40,932
Refunds	60
<b>Total Operating Revenues</b>	309,751
<b>Operating Expense</b>	
Insurance	30,495
Professional Services	20,808
In-Kind Expense	40,932
Conference and training	1,521
Dues and subscriptions	1,500
Office expenses and supplies	1,183
Taxes and Fees	417
Bank service charge	240
Depreciation Expense	21
<b>Total Operating Expense</b>	97,117
<b>Operating Income</b>	212,634
<b>Nonoperating Income (Expense)</b>	
Investment/Interest Income	2
<b>Change in Net Position</b>	212,636
<b>Net Position, Beginning of Year</b>	-
<b>Net Position, End of Year</b>	212,636

# **Troy Community Land Bank Corporation**

## Management Analysis 2015

### **Overview of the Financial Statements**

This financial report is designed to provide a general overview of the TCLB's finances and to illustrate the TCLB's accountability for the revenues it receives. Questions concerning this report or requests for additional information should be addressed to the TCLB at 415 River Street, Troy, New York 12180 or through our website at [www.troycommunitylandbank.org](http://www.troycommunitylandbank.org)

**TROY COMMUNITY LAND BANK CORPORATION**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

**ASSETS**

<b>Current Assets</b>	
Cash and cash equivalents	\$ 565,526
Accounts receivable	25,400
Total Current Assets	590,926
 <b>Property Held for Resale</b>	 135,849
<b>Property and Equipment</b>	
Equipment	629
Less: Accumulated depreciation	(21)
Net Property and Equipment	608
<b>TOTAL ASSETS</b>	<b>\$ 727,383</b>

**LIABILITIES AND NET POSITION**

<b>Current Liabilities</b>	
Accounts payable	\$ 10,234
Deferred revenue	504,513
Total Current Liabilities	514,747
<b>TOTAL LIABILITIES</b>	<b>514,747</b>
<b>Net Position</b>	
Net investment in capital assets	608
Unrestricted	212,028
Total Net Position	212,636
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 727,383</b>

See accompanying notes to financial statements.

**TROY COMMUNITY LAND BANK CORPORATION**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Operating Revenues</b>	
Grants	\$ 130,359
Donations	40,400
In-Kind donations	40,932
Refunds	60
Property	98,000
Total Operating Revenue	309,751
 <b>Operating Expenses</b>	
Office expenses and supplies	1,183
Professional services	20,808
In-Kind Expense	40,932
Dues and subscriptions	1,500
Conference and training	1,521
Insurance	30,495
Taxes and Fees	417
Bank service charge	240
Depreciation	21
Total Operating Expenses	97,117
<b>Operating Income</b>	212,634
 <b>Nonoperating income (Expense)</b>	
Interest income	2
Total Nonoperating Income (Expense)	2
<b>Change in Net Position</b>	212,636
 <b>Net Position, Beginning of Year</b>	-
<b>Net Position, End of Year</b>	\$ 212,636

See accompanying notes to financial statements.

**TROY COMMUNITY LAND BANK CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Receipts from grantors	\$ 130,359
Receipts from donors	519,513
Receipts from other sources	60
Payments to vendors for goods and services	(45,930)
<b>Net Cash Provided by Operating Activities</b>	<u>604,002</u>
 <b>INVESTING ACTIVITIES</b>	
Purchases of property and equipment	(629)
Purchase of property held for resale	(37,849)
Interest income	2
<b>Net Cash Used by Investing Activities</b>	<u>(38,476)</u>
 <b>INCREASE IN CASH AND EQUIVALENTS</b>	
	565,526
 Cash and Cash Equivalents, Beginning of Year	
	<u>-</u>
 Cash and Cash Equivalents, End of Year	
	<u>\$ 565,526</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 212,634
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	21
Property values	(98,000)
(Increase) decrease in assets:	
Accounts receivable	(25,400)
Increase (decrease) in liabilities:	
Accounts payable	10,234
Deferred revenue	504,513
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 604,002</u>

See accompanying notes to financial statements.

**TROY COMMUNITY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Troy Community Land Bank Corporation (the Land Bank), founded in 2014, is a nonprofit organization, whose purpose is to redevelop vacant, abandoned and under-utilized properties through community partnerships and strategic planning. The goal of the Land Bank is to encourage economic growth, long-term sustainability and new opportunities for all of Troy's residents and businesses so as to build stronger neighborhoods and a greater quality of life.

The Land Bank is a supporting organization for the City of Troy, but is a separate non-related entity.

**Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Land Bank is presented to assist in understanding the Land Bank's financial statements. The financial statements and notes are representations of the Land Bank's management, which is responsible for their integrity and objectivity.

**Basis of Accounting**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Land Bank is determined by its measurement focus. The transactions of the Land Bank are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position. Net position is segregated into three classes of net position:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation.
- Restricted net position has externally placed constraints on use.
- Unrestricted net position consists of assets and liabilities that do not meet the definition of "restricted net position" or "net investment in capital assets."

**Cash**

The Land Bank's investment policies are governed by New York State statutes. The Land Bank monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within New York State. The Land Bank is authorized to use demand accounts, money market accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State and its localities. Certificates of deposit purchased with a maturity of three months or less are considered cash equivalents.

**TROY COMMUNITY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash**

Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Deposits are categorized as either (1) insured by FDIC insurance, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the Land Bank's name, or (3) uncollateralized. See Note 2.

**Revenue Recognition**

Revenues are recognized when earned, and expenses are recognized when incurred. The Land Bank distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the Land Bank. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Land Bank has been awarded grants from the New York State Office of Attorney General (OAG) in the aggregate amount of approximately \$1.25 million to promote community revitalization efforts and execute projects through December 31, 2016. Payments under the grants are based on estimated needs of the Land Bank on a quarterly basis or based upon project budgets. Revenues under the grants are recognized as eligible project expenditures are incurred.

**Deferred Revenue**

Deferred revenue consists of funds received from grantors prior to the Land Bank incurring eligible expenses under those grants. Revenue will be recognized when eligible expenses are incurred.

**On Behalf of Payments**

Salaries and benefits paid by the City of Troy on behalf of the Land Bank for administrative personnel are reflected as in-kind donations in the statement of revenue, expenses and changes in net position.

**Income Taxes**

The Land Bank is operating as a tax exempt entity under Section 501(c)(3) of the Internal Revenue Code and has applied to the Internal Revenue Service (IRS) for recognition.

The Land Bank has adopted the recognition requirements for uncertain income tax positions as required by GAAP. Under Accounting Standards Codification (ASC) Section 740, *Income Taxes*, the tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. Management of the Land Bank is not aware of any events that could jeopardize tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements.

The Land Bank is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**TROY COMMUNITY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Property Held for Resale**

Property held for resale is carried at cost. Donated property held for resale is carried at its fair value as of the date of the gift which is typically the assessed value of the property.

**Property and Equipment**

Property and Equipment are carried at cost less accumulated depreciation. Depreciation of property and equipment is computed using straight-line methods at rates based on estimated useful lives.

	<b>Years</b>
Leasehold Improvements	15
Furniture	7
Computer and Office Equipment	5
Vehicles	5
Software	3

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the years ended December 31, 2015 was \$21.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

**2. CASH AND CASH EQUIVALENTS**

The bank balances for cash and cash equivalents at December 31, 2015 were as follows:

Checking - OAG	\$ 562,022
Money Market Account	15,002
Total	\$ 577,024

The insured and collateralized status of the year-end bank balances were as follows:

**Status of Bank Balances**

Covered by federal deposit insurance	\$ 250,000
Collateralized and held in the Land Bank's name	\$ 399,720
Uncollateralized	\$ -

**TROY COMMUNITY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**3. COMMITMENTS**

On March 8, 2016, the Land Bank entered into an agreement with Habitat for Humanity to work together as co-developers to bring about the renovation of properties that are purchased with the New York State Office of Attorney General (OAG) grant funds. This agreement is effective through December 31, 2016, the OAG grant agreement termination date. Any proceeds from the sale of property will be split fifty/fifty between the Land Bank and Habitat for Humanity.

**4. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 21, 2016, which is the date these financial statements were available to be issued. Other than the item included in Note 3 there are no subsequent events requiring recognition or disclosure.

**INDEPENDENT AUDITOR’S 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**

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Heather R. Lewis, CPA

Heather D. Patten, CPA

**Board of Directors  
Troy Community Land Bank 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 Troy Community Land Bank Corporation (the Land Bank), which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Land Bank’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 Land Bank’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Land Bank’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and responses as item 2015-001 that we consider to be material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Land Bank'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*.

### **Land Bank's Response to Findings**

The Land Bank's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Land Bank's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 Land Bank'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marvin and Company, P.C.*

Latham, New York  
December 21, 2016

**TROY COMMUNITY LAND BANK CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Section I - Summary of Auditor's Results**

*Financial Statements*

- Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified?   X   Yes        No
- Significant deficiencies identified?        Yes   X   None Reported
- *Noncompliance material to financial statements?*        Yes   X   No

**Section II - Financial Statement Findings**

**2015-001**      Condition

The financial statements for the year ended December 31, 2015 were incomplete and were prepared on the cash basis of accounting which required several adjustments to various account balances to comply with accounting principles generally accepted in the United States of America (GAAP).

Criteria

The financial statements prepared by the Land Bank should be prepared in accordance with GAAP.

Cause

The Land Bank was incorporated on October 30, 2014. As a newly-formed organization, the Land Bank had limited resources to retain a qualified individual with an accounting background to assist with the recording of transactions and the preparation of financial statements. To date, financial transactions have principally been recorded on the cash basis of accounting, which is a special purpose framework other than GAAP.

Effect

Transactions have been recorded on the cash basis of accounting, which is not in accordance with GAAP. Accordingly, numerous adjustments are required to present financial information in accordance with the accrual basis of accounting.

Recommendations

We recommend that the Land Bank engage someone with sufficient expertise in GAAP financial reporting requirements to assist in recording transactions and preparing financial statements in conformity with GAAP.

Management's Response

The Land Bank will acquire the services of an experienced accountant who is well-versed in GAAP. This accountant will conduct regularly scheduled examinations of TCLB financial records, statements, and transactions, and offer advice on these items as well.

**TROY COMMUNITY LAND BANK CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Section III - Compliance Findings**

None