

Troy Community Land Bank Corporation

**Financial Statements as of
December 31, 2017
Together with
Independent Auditor's Reports**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

July 19, 2018

To the Board of Directors of
Troy Community Land Bank Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Troy Community Land Bank Corporation (Corporation) (a component unit of the City of Troy, New York), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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.

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(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Troy Community Land Bank Corporation, as of December 31, 2017, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Management has elected to omit the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America (U.S. GAAP) requires to be presented to supplement the basic financial statements. Such omitted information, although not a required 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. Accordingly, our opinion on the basic financial statements is not affected by this omitted information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2018 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 solely 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 the effectiveness of the Corporation'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 Corporation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

TROY COMMUNITY LAND BANK CORPORATION

STATEMENT OF NET POSITION DECEMBER 31, 2017

ASSETS

Cash	\$	260,135
Accounts receivable		752
Prepaid expenses		<u>5,962</u>

Total current assets 266,849

Property held for sale		779,284
Capital assets, net		<u>1,069</u>

Total assets 1,047,202

LIABILITIES

Accounts payable and accrued liabilities		14,308
Unearned grant revenue		<u>162,589</u>

Total current liabilities 176,897

NET POSITION

Net investment in capital assets		1,069
Unrestricted - property held for resale		779,284
Unrestricted - available for operations		<u>89,952</u>

\$ 870,305

The accompanying notes are an integral part of these statements.

TROY COMMUNITY LAND BANK CORPORATION

**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017**

OPERATING REVENUE

Sale of property	\$	2,975
Other		<u>200</u>
Total operating revenue		<u>3,175</u>

OPERATING EXPENSES

Cost of property sold		76,349
Salaries and benefits		67,483
Professional fees		60,827
Insurance		30,443
Office and administrative		4,152
Dues & subscriptions		1,806
Depreciation		312
Property taxes		<u>200</u>
Total operating expenses		<u>241,572</u>

Operating loss (238,397)

NON-OPERATING REVENUES

Grant revenue - Attorney General		165,830
Interest		<u>67</u>
Total non-operating revenues		<u>165,897</u>

OTHER ADDITIONS

Capital grant revenue - Attorney General		<u>436,404</u>
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CHANGE IN NET POSITION 363,904

NET POSITION - beginning of year 506,401

NET POSITION - end of year \$ 870,305

The accompanying notes are an integral part of these statements.

TROY COMMUNITY LAND BANK CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from property sales	\$ 2,223
Other receipts	200
Payments to employees for salaries and benefits	(64,617)
Payments to vendors for goods and services	<u>(111,682)</u>
Net cash flows from operating activities	<u>(173,876)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from grants	599,452
Purchase of property held for resale	(2,175)
Payments for improvements to property held for sale	<u>(437,331)</u>
Net cash flows from capital and related financing activities	<u>159,946</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts from interest earnings	<u>67</u>
Net cash flows from investing activities	<u>67</u>
Net change in cash	(13,863)
Cash, beginning of year	<u>273,998</u>
Cash, end of year	<u>\$ 260,135</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES	
Operating loss	\$ (238,397)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	312
Cost of property sales	76,349
Change in assets and liabilities:	
Accounts receivable	(752)
Prepaid expenses	(5,962)
Accounts payable and accrued liabilities	<u>(5,426)</u>
Net cash flows from operating activities	<u>\$ (173,876)</u>

The accompanying notes are an integral part of these statements.

OTHER REQUIRED REPORTING

TROY COMMUNITY LAND BANK CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Troy Community Land Bank Corporation (Corporation) was organized in 2014, and is governed by its Articles of Incorporation, bylaws and the laws of the State of New York. The Corporation was established to facilitate the process of acquiring, improving and redistributing vacant and abandoned properties in the City of Troy (Troy). The Corporation's Board of Directors is comprised of a majority of individuals appointed by the City. The Corporation is considered a component unit of the City for financial reporting purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Corporation's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash

Custodial credit risk related to cash deposits is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits.

The Corporation had bank balances of \$274,437 at December 31, 2017 all of which is insured by the Federal Deposit Insurance Corporation (FDIC).

Prepaid Expenses

Prepaid expenses represent payments made by the Corporation for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are reported in the statement of net position as an asset using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense is reported in the year the goods or services are consumed.

Property Held for Sale

The Corporation primarily acquires its property held for sale from the City for the purpose of improving those properties and returning them to productive use on the property tax rolls. These properties are recorded at cost at the time of acquisition. Depending on the condition of the property at the time of acquisition, certain capital costs may be required to improve that property and ready it for resale. The additional capital costs are included in the value of the property.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

Capital Assets, Net

Capital assets are reported at historical cost. Donated assets are reported at estimated fair value at the time received. Capitalization thresholds, (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the statement of net position are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$500	SL	5 – 7 years

Net Position Classifications

In the financial statements, there are three possible classifications of net position:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt, if any, that are attributable to the acquisition, construction, or improvement of those assets.

The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or the liability will be liquidated with the restricted assets reported. The Corporation did not have restricted net position at December 31, 2017.

The unrestricted component of net position is the net amounts of the assets and liabilities that are not included in the determination of net investment of capital assets or the restricted component of net position.

The Corporation's policy is to first utilize available restricted, when available, and then unrestricted resources in the conduct of its operations.

Classification of Revenue and Expense

Operating revenues are those that result from the provision of services related to the Corporation's principal purposes, and are generally associated with exchange transactions. Nonoperating revenues result from activities that are not directly related to the Corporation's principal purposes, but that exist in order to support them, and generally consist of nonexchange transactions. Other additions arise from grants provided for capital improvements on properties held for resale and are non-exchange transactions.

Grant Revenue – Attorney General

The Corporation was awarded three grants totaling \$1,959,335 from the New York State Office of the Attorney General that cover the period January 1, 2015 through December 31, 2018. The grants are to be used for capital improvements to acquired properties, property maintenance and other operating expenses related to the acquired properties. The grants are paid on a quarterly basis based on the estimated needs for the upcoming quarter specifically related to the properties and includes adjustments for unspent funds from previous quarters. Accordingly, funds received in advance of disbursement are recognized as unearned grant revenue and disbursements exceeding amounts received are recognized as due from New York State.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

The Corporation is a not-for-profit local development corporation under Article 16 of New York State not-for-profit corporation law and is exempt from federal income taxes and New York State taxes. Accordingly, no income tax provision has been made.

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 and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of depreciation using useful lives of capital assets.

2. PROPERTY HELD FOR SALE

The Corporation's activity related to property held for sale during fiscal year ending December 31, 2017 is as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Purchased Property Acquisitions</u>	<u>Capital Improvements</u>	<u>Cost of Property Sales</u>	<u>Balance at End of Year</u>
2017	\$ 416,129	2,173	437,331	(76,349)	\$ 779,284

The Corporation acquired 3 parcels of property in fiscal year 2017. The Corporation sold 5 parcels of property in fiscal year 2017. In 2017 the 5 parcels of property were sold for total consideration of \$2,975 resulting in a loss on disposition of those properties of \$71,074.

3. CONCENTRATIONS

The Corporation received 99% of its revenue from the New York State Office of the Attorney General for the year ended December 31, 2017. At the present time, the Corporation's continued viability is reliant on the grants provided by the New York State Office of the Attorney General.

4. RELATED PARTY TRANSACTIONS

For fiscal year 2017, a board member provided the Corporation with office space free of charge. Further, the City of Troy provided the Corporation with a City employee for 10 hours a week during fiscal year 2017. The value of these donated services have not been reflected in the accompanying financial statements.

5. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Corporation is subject to various lawsuits and claims. Management believes that the ultimate resolution of these matters will not have a significant effect on the Corporation's financial position.

The Corporation participates in a grant program. The program could be subject to financial and compliance audits and may be conducted in accordance with grantor requirements on a periodic basis. The amounts, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time although the Corporation believes, based upon its review of current activity, the amount of such disallowances, if any, will be immaterial.

The Corporation has entered into two co-development agreements with Habitat for Humanity Capital District (Habitat for Humanity) where Habitat for Humanity would renovate four properties which the Corporation conveys to Habitat for Humanity for one dollar each. The agreements provided for the manner in which certain costs to renovate the properties would be shared. Upon sale of the properties, the first agreement requires the proceeds to be split in half and the second agreement requires the proceeds to be split at a rate equal to the ratio of their respective contributions to each property. The agreement term terminates at the same time as the New York State Office of the Attorney General grants.

TROY COMMUNITY LAND BANK CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

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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 and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of depreciation using useful lives of capital assets.

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4. RELATED PARTY TRANSACTIONS

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5. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Corporation is subject to various lawsuits and claims. Management believes that the ultimate resolution of these matters will not have a significant effect on the Corporation's financial position.

The Corporation participates in a grant program. The program could be subject to financial and compliance audits and may be conducted in accordance with grantor requirements on a periodic basis. The amounts, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time although the Corporation believes, based upon its review of current activity, the amount of such disallowances, if any, will be immaterial.

The Corporation has entered into two co-development agreements with Habitat for Humanity Capital District (Habitat for Humanity) where Habitat for Humanity would renovate four properties which the Corporation conveys to Habitat for Humanity for one dollar each. The agreements provided for the manner in which certain costs to renovate the properties would be shared. Upon sale of the properties, the first agreement requires the proceeds to be split in half and the second agreement requires the proceeds to be split at a rate equal to the ratio of their respective contributions to each property. The agreement term terminates at the same time as the New York State Office of the Attorney General grants.

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

July 19, 2018

To the Board of Directors of
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 (Corporation), a component unit of the City of Troy, New York as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated July 19, 2018.

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 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.

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(Continued)

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* (Continued)

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 entity'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.

Bonadio & Co., LLP