

***LAND REUTILIZATION CORPORATION
OF THE CAPITAL REGION***

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Land Reutilization Corporation of
the Capital Region
Schenectady, New York

We have audited the accompanying financial statements of Land Reutilization Corporation of the Capital Region (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Land Reutilization Corporation of the Capital Region as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 6, 2017

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 607,085	\$ 464,868
Grant Receivable	50,000	-
Construction in Progress	575,324	204,441
Prepaid Expense	1,500	-
Total Current Assets	<u>1,233,909</u>	<u>669,309</u>
Other Assets		
Deposit on Property	34,053	20,000
Intangible Asset, Net	6,134	6,634
Total Other Assets	<u>40,187</u>	<u>26,634</u>
Total Assets	<u>\$ 1,274,096</u>	<u>\$ 695,943</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Note Payable	\$ 30,000	\$ 30,000
Accounts Payable	9,269	57,596
Deposit on Property	-	20,000
Unearned Revenue	240,542	257,248
Total Current Liabilities	<u>279,811</u>	<u>364,844</u>
Net Assets		
Unrestricted	944,285	331,099
Temporarily Restricted	50,000	-
Total Net Assets	<u>994,285</u>	<u>331,099</u>
Total Liabilities and Net Assets	<u>\$ 1,274,096</u>	<u>\$ 695,943</u>

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Support and Revenue		
Government Grants	\$ 1,693,068	\$ 766,390
Foundation Grants	15,000	-
Contributions	42,000	44,000
Net Gain (Loss) on Sale of Properties	(78,328)	58,482
In-Kind Donation	-	46,484
Other Revenue	2,729	482
Net Assets Released from Restrictions	<u>50,000</u>	<u>-</u>
Total Support and Revenue	<u>1,724,469</u>	<u>915,838</u>
Expenses		
Amortization	500	500
Demolition	916,539	503,162
General Insurance	14,280	15,540
Occupancy Costs	-	6,075
Other Expenses	1,769	2,225
Professional Services	136,871	122,565
Project Pre-demolition Costs	41,324	23,697
Salaries and Benefits	<u>-</u>	<u>40,409</u>
Total Expenses	<u>1,111,283</u>	<u>714,173</u>
Increase in Unrestricted Net Assets	<u>613,186</u>	<u>201,665</u>
Changes in Temporarily Restricted Net Assets		
Contributions	100,000	-
Net Assets Released from Restrictions	<u>(50,000)</u>	<u>-</u>
Increase in Temporarily Restricted Net Assets	<u>50,000</u>	<u>-</u>
Increase in Net Assets	663,186	201,665
Net Assets, Beginning of Year	<u>331,099</u>	<u>129,434</u>
Net Assets, End of Year	<u>\$ 994,285</u>	<u>\$ 331,099</u>

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 663,186	\$ 201,665
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Amortization	500	500
Change in Operating Assets and Liabilities		
Increase in Grant Receivable	(50,000)	-
Decrease in Pledge Receivable	-	10,000
Increase in Construction in Progress	(370,883)	(145,134)
(Increase) Decrease in Prepaid Expense	(1,500)	3,682
Increase (Decrease) in Accounts Payable	(48,327)	54,681
Increase in Deposit on Property, Net	(34,053)	-
Increase (Decrease) in Unearned Revenue	<u>(16,706)</u>	<u>238,248</u>
Net Cash Provided by Operating Activities and Increase in Cash	142,217	363,642
Cash, Beginning of Year	<u>464,868</u>	<u>101,226</u>
Cash, End of Year	<u>\$ 607,085</u>	<u>\$ 464,868</u>

1. ORGANIZATION AND PURPOSE

Nature of Operations

The Land Reutilization Corporation of the Capital Region (the “Land Bank”) was incorporated in June 2012. The Land Bank was organized and operates as a not-for-profit corporation under the provisions of Article 16 of New York’s Not-For-Profit Corporation Law and the Intergovernmental Cooperation Agreement by and between participating foreclosing governmental entities.

The Land Bank was created by three Governmental units: The City of Schenectady, the County of Schenectady and the City of Amsterdam. The Board of the Corporation is appointed by the three creating governmental units. The Governments will make foreclosed properties available to the Corporation with remuneration being made in the future as the properties are sold, based on a profit sharing formula.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION

Financial Statement Presentation

The following summarizes the significant accounting policies consistently applied in the preparation of these financial statements, with reference to the Accounting Standards Codification (ASC) where applicable.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with the ASC, *Financial Statements of Not-for-Profit Organizations*, utilizing the accrual basis of accounting. This basis of accounting is in accordance with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Tax-Exempt Status

The Land Bank is exempt from federal income tax under Section 501(c)(3).

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Recognition of Support and Revenue

Revenue from restricted grants is recognized when the expenses are incurred under the terms of the grant. Revenue from operating grants is generally recognized when received. These grants are subject to review and audit by various funding sources. Adjustments, if any, are recognized in the year they are known.

Allocation of Costs

The Land Bank charges costs using the direct identification method where possible. However, certain costs have been allocated using various methods.

Contributions and Grants

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Corporation reports donor restricted contributions as unrestricted support provided the restrictions are met in the same year the contributions are received.

Unrestricted contributions are recognized when promises are made.

During 2015, the Corporation received office space and the services of the Executive Director from the City of Schenectady at no cost. The value of benefits received in-kind have been reflected at their estimated fair value for the year ended December 31, 2015.

Fair Value

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an “exit” price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

Accounting for Uncertainty in Income Taxes

The ASC requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. The Land Bank has not recognized any benefits from uncertain tax positions in 2016 and believes it has no uncertain tax positions for which it is reasonably possible that will significantly increase or decrease net assets within 12 months of the statement of financial position date. Generally, federal, state and local authorities may examine the Land Bank’s tax-exempt returns for three years from the date of filing; consequently, income tax returns for years prior to 2013 are no longer subject to examination by taxing authorities.

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016 AND 2015

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Subsequent Events

The Land Bank follows the ASC, *Subsequent Events*, which establishes general standards of accounting for, and disclosures of, events that occur after the due date of the financial statements but before the financial statements are issued or are available to be issued. In the preparation of these financial statements and notes thereto, management has evaluated subsequent events or transactions as to potential material impact on operations or financial position occurring through March 6, 2017 the date the financial statements were available to be issued. No such events or transactions were identified.

3. CONSTRUCTION IN PROGRESS

Construction in progress of \$575,324 and \$204,441 at December 31, 2016 and 2015, respectively, represents direct and rehabilitation costs associated with various properties.

4. INTANGIBLE ASSET, NET

Intangible asset at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Property Management Software	\$ 7,500	\$ 7,500
Less: Accumulated Amortization	<u>(1,366)</u>	<u>(866)</u>
Intangible Asset, Net	<u>\$ 6,134</u>	<u>\$ 6,634</u>

Amortization expense was \$500 for each of the years ended December 31, 2016 and 2015.

5. NOTE PAYABLE

Note payable at December 31, 2016 and 2015 represents drawdowns of \$30,000 on a \$60,000 non-interest bearing public benefits services agreement with the City of Amsterdam. Management anticipates the balance will be repaid in full in 2017.

6. UNEARNED REVENUE

Unearned revenue represents unexpended grant funds of \$240,252 and \$257,248 at December 31, 2016 and 2015, respectively.

7. CONCENTRATIONS

For the year ended December 31, 2016, approximately 95% of the Land Bank's revenues were generated by one government grant.

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016 AND 2015

7. CONCENTRATIONS (CONTINUED)

In 2015, the Land Bank was awarded a \$3 million grant from the New York State Office of the Attorney General for the acquisition, demolition and development of affordable housing and related activities to enhance neighborhood character. This grant has been extended through December 31, 2017.

8. COMMITMENTS AND CONTINGENCIES

The Land Bank is subject to audits and reviews of reimbursable costs by its various governmental agencies and other funding sources. The outcome of these audits and reviews may have the effect of retroactively increasing or decreasing revenue. In the event that a subsequent audit or review determines that an adjustment is required, the amount will be recognized in the period in which it becomes fixed and determinable. Management does not expect that such adjustments, if any, will be significant.

The Land Bank may take ownership of properties in distress and, as a result, the potential exists for the commitment of substantial additional costs to be incurred in order to sell the related properties.