

*LAND REUTILIZATION CORPORATION  
OF THE CAPITAL REGION*

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2015 AND 2014*

*LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION*

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*DECEMBER 31, 2015 AND 2014*

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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, 2015 and 2014, 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, 2015 and 2014, 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 29, 2016

**LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

**ASSETS**

	<b><u>2015</u></b>	<b><u>2014</u></b>
Current Assets		
Cash	\$ 464,868	\$ 101,226
Pledge Receivable	-	10,000
Construction in Progress	204,441	59,307
Prepaid Expense	-	3,682
Total Current Assets	<u>669,309</u>	<u>174,215</u>
Other Assets		
Deposit on Property	20,000	-
Intangible Asset, Net	6,634	7,134
Total Other Assets	<u>26,634</u>	<u>7,134</u>
Total Assets	<u>\$ 695,943</u>	<u>\$ 181,349</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Note Payable	\$ 30,000	\$ 30,000
Accounts Payable	57,596	2,915
Deposit on Property	20,000	-
Unearned Revenue	257,248	19,000
Total Current Liabilities	<u>364,844</u>	<u>51,915</u>
Net Assets		
Unrestricted	<u>331,099</u>	<u>129,434</u>
Total Liabilities and Net Assets	<u>\$ 695,943</u>	<u>\$ 181,349</u>

**LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION**

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
Support and Revenue		
Government Grants	\$ 766,390	\$ 220,200
Contributions	44,000	-
Net Gain on Sale of Properties	58,482	843
In-Kind Donation	46,484	-
Other Revenue	482	-
Total Support and Revenue	<u>915,838</u>	<u>221,043</u>
Expenses		
Amortization	500	366
Demolition	503,162	-
General Insurance	15,540	1,557
Occupancy Costs	6,075	-
Other Expenses	2,225	-
Professional Services	122,565	90,527
Project Pre-demolition Costs	23,697	9,113
Salaries and Benefits	40,409	-
Total Expenses	<u>714,173</u>	<u>101,563</u>
Increase in Net Assets	201,665	119,480
Net Assets, Beginning of Year	<u>129,434</u>	<u>9,954</u>
Net Assets, End of Year	<u>\$ 331,099</u>	<u>\$ 129,434</u>

**LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION**

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 201,665	\$ 119,480
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Amortization	500	366
Change in Operating Assets and Liabilities		
Decrease (Increase) in Pledge Receivable	10,000	(10,000)
Increase in Construction in Progress	(145,134)	(55,583)
Decrease (Increase) in Prepaid Expense	3,682	(2,783)
Increase in Accounts Payable	54,681	2,615
Change in Deposits on Property, Net	-	(500)
Increase (Decrease) in Deferred Revenue	<u>238,248</u>	<u>(31,000)</u>
Net Cash Provided by Operating Activities	<u>363,642</u>	<u>22,595</u>
Cash Flows from Investing Activities		
Purchase of Software	<u>-</u>	<u>(7,500)</u>
Cash Flows from Financing Activities		
Proceeds from Note Payable, Net	<u>-</u>	<u>30,000</u>
Increase in Cash	363,642	45,095
Cash, Beginning of Year	<u>101,226</u>	<u>56,131</u>
Cash, End of Year	<u>\$ 464,868</u>	<u>\$ 101,226</u>

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations*

The Land Reutilization Corporation of the Capital Region (the “Land Bank”) was incorporated on June 29, 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. In the first two years of operation, the governments will provide staffing for operations and property management.

*Basis of Accounting*

The basis of accounting used refers to when support, revenue and expenses are recognized in the accounts and reported in the financial statements. The financial statements are prepared on the accrual basis of accounting whereby expenses are recorded when incurred rather than when paid and revenue is recorded when earned rather than when received.

*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).

*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.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 that the restrictions are met in the same year the contributions are received.

Unrestricted contributions are recognized when promises are made.

The Corporation receives 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 as of December 31, 2015.

*Fair Value*

The Accounting Standards Codification requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the Land Bank would receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Cash, pledges receivable, prepaid expense, notes payable, accounts payable and deferred revenue* - The carrying amounts approximate fair value because of the short maturity of these instruments.

*Construction in progress* - No attempt has been made to determine the fair value of construction in progress.

*Accounting for Uncertainty in Income Taxes*

The Accounting Standards Codification 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 or liabilities from uncertain tax positions in the current year and believes it has no uncertain tax positions for which it is reasonably possible that will significantly increase or decrease net assets. Generally, federal and state authorities may examine the Corporation's tax returns for three years from the date of filing.

**LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Subsequent Events*

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through March 29, 2016, the date the financial statements were available to be issued. No such events or transactions were identified.

**2. CONSTRUCTION IN PROGRESS**

Construction in progress of \$204,441 and \$59,307 at December 31, 2015 and 2014, respectively, represents direct and rehabilitation costs associated with various properties.

**3. INTANGIBLE ASSET, NET**

Intangible asset at December 31, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Property Management Software	\$ 7,500	\$ 7,500
Less: Accumulated Amortization	<u>(866)</u>	<u>(366)</u>
Intangible Asset, Net	<u>\$ 6,634</u>	<u>\$ 7,134</u>

Amortization expense was \$500 and \$366, respectively, for the years ended December 31, 2015 and 2014.

**4. NOTE PAYABLE**

Note payable at December 31, 2015 and 2014 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 2016.

**5. UNEARNED REVENUE**

Unearned revenue represents unexpended grant funds of \$257,248 and \$19,000 at December 31, 2015 and 2014, respectively.

**6. CONCENTRATIONS**

For the year ended December 31, 2015, approximately 84% of the Land Bank's revenues were generated by one government grant.

The Land Bank was awarded a \$3 million grant from the New York State Office of the Attorney General for the acquisition, demolition, development of affordable housing and related activities to enhance neighborhood character in 2015 and 2016.

**LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION**

*NOTES TO FINANCIAL STATEMENTS (CONTINUED)*

*DECEMBER 31, 2015 AND 2014*

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**7. 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.