

LAND REUTILIZATION CORPORATION
OF THE CAPITAL REGION

Financial Statements

December 31, 2017

(With Independent Auditors' Report Thereon)

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Land Reutilization Corporation of the Capital Region:

Report on the Financial Statements

We have audited the accompanying financial statements of Land Reutilization Corporation of the Capital Region (the Corporation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to 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. 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 Corporation'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 Corporation'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, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 21, 2018

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION
Statement of Financial Position
December 31, 2017

<u>Assets</u>	
Current assets:	
Cash	\$ 810,099
Grant receivable	5,000
Prepaid expense	<u>125</u>
Total current assets	815,224
Other assets - intangible asset, net of accumulated amortization of \$1,866	<u>5,634</u>
Total assets	<u><u>\$ 820,858</u></u>
 <u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	65,705
Deferred revenue	<u>324,007</u>
Total current liabilities	389,712
Unrestricted net assets	431,146
Commitments and contingencies (note 6)	<u> </u>
Total liabilities and net assets	<u><u>\$ 820,858</u></u>

See accompanying notes to financial statements.

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION
Statement of Activities
Year ended December 31, 2017

Revenue:	
Government grants	\$ 1,319,285
Foundation grants	100,705
Contributions	216,069
Other revenue	1,911
Forgiveness of debt	<u>30,000</u>
Total revenue	<u>1,667,970</u>
Expenses:	
Project expenses	1,355,513
Loss on sale of properties	227,291
Professional services	65,065
General insurance	5,981
Other expenses	1,435
Amortization	<u>500</u>
Total expenses	<u>1,655,785</u>
Increase in unrestricted net assets	12,185
Unrestricted net assets at beginning of year, as restated (note 5)	<u>418,961</u>
Unrestricted net assets at end of year	<u><u>\$ 431,146</u></u>

See accompanying notes to financial statements.

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION
Statement of Cash Flows
Year ended December 31, 2017

Cash flows from operating activities:	
Increase in net assets	\$ 12,185
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Amortization	500
Forgiveness of debt	(30,000)
Changes in:	
Grant receivable	45,000
Prepaid expense	1,375
Deposit on property	34,053
Accounts payable	56,436
Deferred revenue	<u>83,465</u>
Net cash provided by operating activities	203,014
Cash at beginning of year	<u>607,085</u>
Cash at end of year	<u><u>\$ 810,099</u></u>

See accompanying notes to financial statements.

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

Notes to Financial Statements

December 31, 2017

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Land Reutilization Corporation of the Capital Region (the Corporation) was incorporated in June 2012. The Corporation 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 Corporation 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.

(b) Basis of Presentation

The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation does not have any temporary or permanently restricted net assets.

(c) 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 those estimates.

(d) Grant 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.

(e) Allocation of Costs

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

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(g) Contributed Services and Grants

During the year ended December 31, 2017, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation.

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.

(h) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities.

(i) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION
Notes to Financial Statements, Continued

(2) Intangible Asset, Net

Intangible asset at December 31, 2017 consists of the following:

Property management software	\$ 7,560
Less accumulated amortization	(1,866)
Intangible asset, net	\$ <u>5,634</u>

Amortization expense was \$500 for the year ended December 31, 2017.

(3) Forgiveness of Debt

During 2017, the City of Amsterdam forgave \$30,000 of a non-interest bearing note payable for a public benefits service agreement totaling \$60,000. The Corporation had repaid the remaining \$30,000 of this debt in prior years.

(4) Grants

The Corporation receives Community Revitalization Initiatives grants from the New York State Office of the Attorney General, to be used for operation and acquiring and developing properties within the County of Schenectady and City of Amsterdam. In 2017, the Corporation was awarded \$1,700,000 to be used and received from January 1, 2017 through December 31, 2018. As part of the agreement, if Corporation does not expend or receive all the funds by the end of 2018, the contract may extend to subsequent years. As of December 31, 2017, the Corporation has received a total of \$713,750 from the grant and expended \$490,781.

The Corporation receives Neighbors for Neighborhoods grants from the New York State Office of the Attorney General, to be used to rehabilitate eligible newly acquired homes by property owners. In 2017, the Corporation was awarded \$550,000 to be used and received from January 1, 2017 through December 31, 2018. As part of the agreement, if the Corporation does not expend or receive all the funds by the end of 2018, the contract may extend to subsequent years. As of December 31, 2017, the Corporation has received a total of \$315,000 from the grant and expended \$213,962.

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

Notes to Financial Statements, Continued

(4) Grants, Continued

Grant activity as of and for the year ended December 31, 2017 is as follows:

	Grant Funds <u>Received</u>	Revenue <u>Recognized</u>	Deferred <u>Revenue</u>
Community Revitalization Initiatives Grant:			
2015/2016	\$ 540,542	540,542	-
2017/2018	713,750	490,781	222,969
Neighbors for Neighborhoods	315,000	213,962	101,038
Other	<u>74,000</u>	<u>74,000</u>	<u>-</u>
	<u>\$ 1,643,292</u>	<u>1,319,285</u>	<u>324,007</u>

Grant awards outstanding as of and for the year ended December 31, 2017 is as follows:

	Total Grant <u>Awarded</u>	Accumulated <u>Expenses</u>	Revenue Available for <u>Future Years</u>
Community Revitalization Initiatives Grant 17/18	\$ 1,700,000	490,781	1,209,219
Neighbors for Neighborhoods	<u>550,000</u>	<u>213,962</u>	<u>336,038</u>
	<u>\$ 2,250,000</u>	<u>704,743</u>	<u>1,545,257</u>

(5) Restatements of Net Assets

For the year ended December 31, 2017, restatements were made to certain beginning balances presented in the Corporation's statement of financial position. As a result of audit procedures performed over work in progress, it was determined that all demolition and development costs of properties owned by the Corporation should be expensed. The Corporation's net assets at December 31, 2016 has been restated to expense previously capitalized work in progress (land, demolition and other costs) as follows:

Net assets at December 31, 2016, as previously stated	\$ 994,285
Decrease in work in progress	(575,324)
Net assets at December 31, 2016, as restated	\$ <u>418,961</u>

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION
Notes to Financial Statements, Continued

(6) Commitments and Contingencies

The Corporation 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 Corporation 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.