ALBANY COUNTY LAND BANK CORPORATION

Financial Statements
As of and for the Six Month Period Ended December 31, 2018

Together with Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

Albany County Land Bank Corporation

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 22, 2019

To the Board of Directors of the
Albany County Land Bank Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Albany County Land Bank Corporation (Corporation) (a component unit of the County of Albany, New York), as of and for the six-month period ended December 31, 2018, 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 opinions 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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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Albany County Land Bank Corporation, as of December 31, 2018, and the respective changes in financial position thereof for the period July 1, 2018 to December 31, 2018 then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Fiscal Year

As further described in note 1, the Corporation changed its fiscal year end from June 30 to December 31. Our opinion is not modified with respect to this matter.

Change in Accounting Estimate

As further described in note 1, the Corporation changed its method for estimating the acquisition value of donated property. Our opinion is not modified with respect to this matter.

Report on Required Supplementary 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 May 22, 2019 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

ALBANY COUNTY LAND BANK CORPORATION
(A Component Unit of the County of Albany, New York)

Statement of Net Position
December 31, 2018

	2018
ASSETS	
Cash and cash equivalents	$ 2,902,851
Accounts receivable	2,075
Grants receivable	54,090
Prepaid expenses	13,000
Total current assets	2,972,016
Property held for sale	4,626,865
Capital assets, net	3,588
Total assets	7,602,469
LIABILITIES	
Accounts payable and accrued liabilities	239,448
Unearned revenues	125,261
Total current liabilities	364,709
Total liabilities	364,709
NET POSITION	
Net investment in capital assets	3,588
Unrestricted - property held for resale	4,626,865
Unrestricted - available for operations	2,607,307
Total net position	$ 7,237,760

The accompanying notes are an integral part of these financial statements.

ALBANY COUNTY LAND BANK CORPORATION
(A Component Unit of the County of Albany, New York)

Statement of Revenue, Expenses and Changes in Net Position
For the Period July 1, 2018 to December 31, 2018

	2018
OPERATING REVENUE:	
Sale of properties	$ 480,422
Fees and other revenues	8,455
Total operating revenue	488,877
OPERATING EXPENSES:	
Cost of sales	1,808,664
Property maintenance	286,719
Salaries and benefits	275,105
Albany County - property tax recoveries	168,491
Insurance	98,390
Professional fees	82,065
Office and administrative	44,621
Property sale related	3,383
Travel	2,123
Depreciation	810
Total operating expenses	2,770,371
Operating loss	(2,281,494)
NON-OPERATING REVENUE:	
Grant revenue - State of New York	227,502
Grant revenue - County of Albany	250,000
Rental and other income	3,341
Interest	1,259
Total non-operating revenues	482,102
OTHER ADDITIONS AND DUDUCTIONS:	
Donation of property for sale	987,780
Grant revenue - State of New York	13,790
Grant revenue - State of New York (NFN)	30,390
Loss on revaluation of property held for resale	(2,238,989)
Total other additions and deductions	(1,207,029)
CHANGE IN NET POSITION	(3,006,421)
NET POSITION - July 1, 2018	10,244,181
NET POSITION - December 31,2018	$ 7,237,760

The accompanying notes are an integral part of these financial statements.

ALBANY COUNTY LAND BANK CORPORATION
(A Component Unit of the County of Albany, New York)

STATEMENT OF CASH FLOWS
For the Period July 1, 2018 to December 31, 2018

	2018
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from property sales	$ 505,147
Receipts from other operating activities	8,455
Payments to employees for salaries and benefits	(275,051)
Payments to vendors for goods and services	(846,504)
Net cash flows from operating activities	(607,953)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Receipts from grants	403,575
Purchases of properties	(95,009)
Payments for improvements to property held for sale	(125,635)
Net cash flows from capital and related financing activities	182,931
CASH FLOWS FROM INVESTING ACTIVITIES:	
Receipts from rental of property and other receipts	3,341
Receipts from interest earnings	1,259
Net cash flows from investing activities	4,600
Net change in cash	(420,422)
Cash, beginning of period	3,323,273
Cash, end of period	$ 2,902,851
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:	
Operating loss	$ (2,281,494)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	810
Cost of property sales (non-cash item)	1,808,664
Change in assets and liabilities:	
Accounts receivable	12,625
Prepaid expenses	42,873
Accounts payable and accrued liabilities	(203,531)
Unearned revenue	12,100
Net cash flows from operating activities	$ (607,953)
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:	
Receipt of property held for sale	$ 987,780
Loss on revaluation of property held for resale	$ (2,238,989)

The accompanying notes are an integral part of these financial statements.

Notes to Basic Financial Statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Albany County Land Bank Corporation (Corporation) was formed July 1, 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 County of Albany (County). The Corporation's board of directors is comprised of individuals appointed by the County. The Corporation is considered a component unit of the County.

In May 2018, the Corporation formed a single member New York limited liability corporation, ACLB Holdings, LLC (ACLB). ACLB was formed pursuant to the authority granted to Land Banks in Section 1607 of the New York State Not-For-Profit Law in order to mitigate potential risk and loss to the Corporation related to certain properties which may be provided by the County or purchased. ACLB is considered to be a blended component unit of the Corporation. ACLB has had no activity through December 31, 2018.

In order to align the Corporation's annual report to its financial reporting cycle, management of the Corporation changed its fiscal year end from June 30 to December 31 beginning with the six month period July 1, 2018 to December 31, 2018.

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.

Change in Accounting Estimate

The Corporation has assessed the reported value of donated property compared to the donated property's sales price and has determined that effective July 1, 2018 will change the method of estimates, the acquisition value of its donated property to one-half the property's assessed value.

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 $2,906,104 at December 31, 2018 of which $500,000 is insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2018, the remaining bank balance was collateralized with securities held in the Corporation's name.

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 County for the purpose of improving those properties and returning them to productive use on the tax rolls. These properties are recorded at one half the assessed value at the time of donation which management believes approximates acquisition cost. Depending on the condition of the property at the time of donation, certain capital costs may be required to improve that property and are added to the value of the property held for sale.

Capital Assets, Net
Capital assets are reported at actual cost. Donated assets are reported at estimated acquisition cost at the time received. The Corporation capitalizes furniture and equipment with cost of greater than $1,000 and depreciation those assets on a straight-line basis generally over 5 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 does not have restricted net position at December 31, 2018.

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, 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 nonexchange transactions which provide for the value of donated properties and resources for related capital improvements and are non-exchange transactions.

Grant Revenue – County of Albany
The Corporation received a $250,000 grant from the County for administrative costs for the period ended December 31, 2018.

Grant Revenue – State of New York
The Corporation was awarded two grants from the New York State Office of the Attorney General for the period January 1, 2017 to December 31, 2018 for $1,040,834 and $765,000. The grants are to be used to make capital improvement to acquired properties, property maintenance and other operating expenses related to the acquired properties.

The grants are received 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.

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.

Loss on Revaluation of Property Held for Resale
In the process of changing the Corporation's methodology for estimating the acquisition value of donated properties, the Corporation's analysis had shown that the Corporation's previously recorded estimates for donated properties would not be realized at the time of sale and, accordingly, reduced the value of those donated properties to values the Corporation believes are realizable at the time of sale.

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 assets and the fair value of donated property.

2. PROPERTY HELD FOR SALE

The Corporation's activity related to property held for sale during six month period July 1 to December 31, 2018 are as follows:

Balance at July 1, 2018	Donated Property Acquisitions	Purchased Property Acquisitions	Capital mprovements	Cost of Property Sales	Donated Property Revaluation	Balance at December 31, 2018
$ 7,466,094	987,780	95,009	125,635	(1,808,664)	(2,238,989)	$ 4,626,865

The Corporation acquired 114 parcels of property during the period July 1 to December 31, 2018. The Corporation sold 56 parcels of property during the period July 1 to December 31, 2018. The 56 parcels of property were sold for total consideration of $480,422 resulting in a loss on disposition of those properties of $1,328,242.

3. CONCENTRATIONS

The Corporation received 49% of its revenue from state and local government grants for the six-month period July 1, 2018 to December 31, 2018.

4. 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 grant programs. These programs 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 agencies 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 entered into a lease agreement for office space in November of 2016. The lease term is through November 2019 and has a fixed annual rent of $20,520. The lease agreement also provides for additional rent equal to the Corporation's pro-rata share of the building's tax, operating and maintenance payments. Rental expense for the period July 1 to December 31, 2018 was $12,450.

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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*

May 22, 2019

To the Board of Directors of
Albany County 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 Albany County Land Bank Corporation (Corporation), a component unit of the County of Albany, New York as of and for the six month period ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated May 22, 2019.

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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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