

BROOME COUNTY
LAND BANK CORPORATION

Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

BROOME COUNTY LAND BANK CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Broome County Land Bank Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Broome County Land Bank Corporation (the Corporation), which comprise the statements of net position as of December 31, 2018 and 2017 and the related statements of revenue, expenses and changes in net position and cash flows for the years 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 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 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 Broome County Land Bank Corporation as of December 31, 2018 and 2017, and the results of its activities and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated February 27, 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 and should be considered in assessing the results of our audit.

EFPR Group, CPAs, PLLC

Williamsville, New York
February 27, 2019

BROOME COUNTY LAND BANK CORPORATION

Management's Discussion and Analysis

December 31, 2018

As management of the Broome County Land Bank Corporation (the Corporation), we offer readers of the Broome Land Bank Corporation's financial statements this narrative overview and analysis of the financial activities of the Broome Land Bank Corporation for the year ended December 31, 2018.

Financial Highlights

The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by \$501,426 (net position).

The Corporation's total assets are comprised primarily of grant proceeds received from the Community Revitalization Initiatives (CRI) grant program funded by the New York State (NYS) Office of the Attorney General. The NYS Office of the Attorney General awarded the Corporation three grants. The first grant, a capacity building grant, in the amount of \$150,000 had a 12-month term commencing December 1, 2013 through November 30, 2014. The second grant in the amount of \$805,401 originally had a 24-month term commencing January 1, 2015 through December 31, 2016 but was extended through December 31, 2017. The third grant in the amount of \$650,870 had a 24-month term commencing on January 10, 2017 through December 31, 2018 which has been extended to June 30, 2019. The Corporation utilizes the grant funding to fulfill the "CRI" grant initiatives. The Corporation executed an administrative services agreement with Broome County for a 12-month term commencing January 1, 2018 through December 31, 2018 where the County will fund staffing positions and provide administrative services for the Corporation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of two components: 1) corporation-wide financial statements and 2) notes to financial statements.

Corporation-wide financial statements. The corporation-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of revenue, expenses and changes in net position presents information showing how the Corporation's net position changed during the most recent fiscal year. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

BROOME COUNTY LAND BANK CORPORATION
Management's Discussion and Analysis, Continued

The corporation-wide financial statements can be found on pages immediately following this section.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the corporate-wide financial statements. The notes to the financial statements can be found following the financial statements section of this report.

Corporation-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Corporation, assets exceed liabilities by \$501,426 at the close of the most recent fiscal year. The Corporation's net position consists primarily of grant proceeds.

<u>Net Position</u>		<u>2018</u>	<u>2017</u>
Assets		\$ 639,469	567,153
Liabilities		(138,043)	(227,615)
Total net position		\$ <u>501,426</u>	<u>339,538</u>
Operating revenue		513,262	471,850
Operating expenses		(351,374)	(386,522)
Change in net position		161,888	85,328
Net position at beginning of year		<u>339,538</u>	<u>254,210</u>
Net position at end of year		\$ <u>501,426</u>	<u>339,538</u>

Economic Factors

The main source of project funding for NYS land banks, including the Corporation, remains grant monies through the Community Revitalization Initiative (CRI). Another round of CRI funding was awarded in late 2018 for years 2019 - 2020 which is funded through the NYS Office of the Attorney General. However, it is unclear if future dedicated funding will extend beyond 2020. The Corporation is very fortunate to have received an administrative in-kind grant from Broome County to cover its administrative expenses for 2018. The grant allowed the Corporation to utilize more of its CRI grant funds for its projects. The Corporation will continue to look for funding opportunities to further its mission to foster community and economic development by acquiring, holding, managing, developing and marketing distressed, vacant, abandoned and under-utilized properties. Each year, the Corporation will evaluate opportunities for investment of its resources in furthering this mission.

BROOME COUNTY LAND BANK CORPORATION
Management's Discussion and Analysis, Continued

Requests for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Broome County Land Bank Corporation, County Office Building, 5th Floor, P.O. Box 1766, Binghamton, New York 13902-1766.

BROOME COUNTY LAND BANK CORPORATION
 Statements of Net Position
 December 31, 2018 and 2017

	<u>Assets</u>	<u>2018</u>	<u>2017</u>
Assets:			
Cash		\$ 537,202	477,815
Prepaid insurance		3,425	3,425
Property held for resale		98,842	85,913
Total assets		\$ 639,469	567,153
<u>Liabilities and Net Position</u>			
Liabilities:			
Accounts payable		3	191,305
Due to other governments		1,333	1,333
Deferred revenue		136,707	34,977
Total liabilities		138,043	227,615
Net position - unrestricted		501,426	339,538
Total net position		\$ 639,469	567,153

See accompanying notes to financial statements.

BROOME COUNTY LAND BANK CORPORATION
 Statements of Activities
 Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenue:		
Grant income:		
NYS Office of the Attorney General - Round 2	\$ -	220,595
NYS Office of the Attorney General - Round 3	313,342	53,258
Other grants	223,728	84,235
In-kind grant - Broome County	83,469	83,271
Gain (loss) on sale of property	<u>(107,277)</u>	<u>30,491</u>
Total operating revenue	<u>513,262</u>	<u>471,850</u>
Operating expenses:		
Salaries and benefits - in-kind - Broome County	83,469	83,271
Contracted services and professional fees	4,500	12,016
Insurance	5,689	1,823
Office and computer	2,312	19,517
Joint venture project expenditures	255,286	269,895
Travel and conferences	<u>118</u>	<u>-</u>
Total operating expenses	<u>351,374</u>	<u>386,522</u>
Net operating income	161,888	85,328
Net position at beginning of year	<u>339,538</u>	<u>254,210</u>
Net position at end of year	<u>\$ 501,426</u>	<u>339,538</u>

See accompanying notes to financial statements.

BROOME COUNTY LAND BANK CORPORATION
 Statements of Cash Flows
 Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Grants and fees	\$ 638,800	327,617
Sale of properties	208,372	500,007
Payment to Broome County	-	(231,998)
Payments for acquisitions	(328,578)	(85,913)
Contractual expenses	(459,089)	(111,946)
Travel and conferences expenses	<u>(118)</u>	<u>-</u>
Net cash provided by operating activities	59,387	397,767
Cash at beginning of year	<u>477,815</u>	<u>80,048</u>
Cash at end of year	<u>\$ 537,202</u>	<u>477,815</u>
Cash flows from operating activities:		
Net operating income	161,888	85,328
Adjustments to reconcile operating net income to net cash provided by operating activities:		
Changes in:		
Due from other governments	-	10,227
Property held for resale	(12,929)	151,605
Accounts payable	(191,302)	191,305
Deferred revenue	<u>101,730</u>	<u>(40,698)</u>
Net cash provided by operating activities	<u>\$ 59,387</u>	<u>397,767</u>
Supplemental schedule of cash flow information		
Noncash items;		
In-kind grant - Broome County	<u>\$ 83,469</u>	<u>83,271</u>
Salaries and benefits	<u>\$ 83,469</u>	<u>83,271</u>

See accompanying notes to financial statements.

BROOME COUNTY LAND BANK CORPORATION

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Broome County Land Bank Corporation (the Corporation) was established in June 2013 to foster economic and community development by acquiring, holding, managing, developing and marketing distressed, vacant, abandoned and underutilized properties in Broome County (the County) through the use of funds and powers granted under the New York State (NYS) Community Revitalization Initiative Program (CRI) administered by the New York State Office of the Attorney General. The Corporation was formed by Broome County within the parameters of the New York Land Bank Act, under Article 16 of the New York Not-For-Profit Corporation Law.

(b) Revenue and Expense Recognition

The Corporation is a nonprofit corporation and is a component unit of Broome County. The Corporation operates as a proprietary fund (a business-type activity), distinguishing operating revenue and expenses from nonoperating items. Operating revenue is mostly comprised of grant and government subsidy revenue resulting from exchange transactions associated with the principal activities of the Corporation funded through the New York State Office of the Attorney General. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with the Corporation's mission. All revenue and expenses not meeting these definitions are reported as nonoperating revenue and expenses. Revenue is recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

(c) Basis of Accounting and Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Net position is classified under the following components:

Net Investment in Capital Assets - Represents capital assets, including restricted capital assets, net of accumulated depreciation. The Corporation has no capital assets as of December 31, 2018 and 2017.

Restricted Net Position - Represents net position with constraints placed on either their use by either (1) external groups such as creditors or laws or regulations of other governments; or by (2) law through constitutional provisions or enabling legislation. The Corporation does not have amounts in restricted net position as of December 31, 2018 and 2017.

Unrestricted Net Position - Represents all other assets that do not meet the definition of net investment in capital assets or restricted net position.

BROOME COUNTY LAND BANK CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Accounting and Presentation, Continued

It is the Corporation's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

(d) 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.

(e) Cash

For purposes of reporting cash flows, cash includes money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

(f) Concentrations of Credit Risk

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

(g) Income Taxes

The Corporation is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (IRC), 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 Organization 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.

(h) 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.

(2) In-Kind Grant - Broome County

Broome County, through budget resolution, provided administrative support for salaries and benefits to the Corporation of \$83,469 and \$83,271 for the years ended December 31, 2018 and 2017, respectively.

BROOME COUNTY LAND BANK CORPORATION

Notes to Financial Statements, Continued

(3) Property Held for Resale

In August 2015, the Corporation received title for two properties located on Burdick Road in Binghamton, New York and Lagrange Street in Vestal, New York. The properties were purchased by Broome County using funds from the Community Development Block Grant, a grant being administered by the Corporation. They are not reflected in the accounting records of the Corporation. During 2018, the Corporation sold both properties for a total of \$187,922 with an understanding with Broome County that all proceeds would go to the Corporation to be used for their operations of property rehabilitation. Rehabilitation costs were added to the basis of the property for the cost of the sale for a total amount of \$217,820.

In 2017, the Corporation purchased five properties from various towns for \$1 each. Demolition costs were capitalized as part of the cost, which is reflected in assets in the accompanying statement of net position in the amount of \$85,913 at December 31, 2017. During 2018, additional demolition and rehabilitation costs were capitalized and added to the basis of the properties increasing to a total of \$97,233 and sold each one to an unrelated party for a total of \$15,250.

In 2018, the Corporation purchased thirteen properties from various towns, cities, and villages for a total of \$15,011 and incurred demolition and rehabilitation costs of \$84,427 for a total basis in the properties of \$99,438. During 2018, the Corporation sold one of these properties to an unrelated party for \$5,200. The carrying cost of such property was \$596. The remaining basis of the property held for resale is reflected in assets in the accompanying statements of net position in the amount of \$98,842 at December 31, 2018.

(3) Property Held for Resale

Activity as of and for the year ended December 31, 2018 is as follows:

Property Held for Sale 12/31/2017	Costs Increasing Basis of Property Sold	Basis of Property Sold	Amount Received	Total Loss on Sale of Property	Property Held for Sale after Sales	Acquisitions	Property Held for Sale 12/31/2018
\$ <u>85,913</u>	<u>229,736</u>	<u>(315,649)</u>	<u>208,372</u>	<u>(107,277)</u>	<u> -</u>	<u>98,842</u>	<u>98,842</u>

(4) Joint Venture Project Expenditures

In 2017, the Corporation entered into a memorandum of understanding with the Village of Windsor, the First Ward Action Council, Broome County and the City of Binghamton. In all agreements, the Corporation agreed to aid and assist with the cost of demolition and site work for properties owned by each entity. The amount committed in total was \$272,791. In 2018 and 2017, the Corporation expended \$2,896 and \$269,895, respectively, under these agreements, which is included in the accompanying statements of activities in operating expenses.

BROOME COUNTY LAND BANK CORPORATION

Notes to Financial Statements, Continued

(4) Joint Venture Project Expenditures, Continued

In 2018, the Corporation entered into a memorandum of understanding with the Village of Endicott, the Goodwill Theatre, Inc., Town of Kirkwood, Windsor Central School District and First Ward Action Council, Inc. In all agreements, the Corporation agreed to aid and assist with the cost of demolition and site work for properties owned by each entity. The amount committed in total was \$360,542. In 2018, the Corporation expended \$252,390 under these agreements, which is included in the accompanying statements of activities in operating expenses.

(5) Grants

The Corporation received Community Revitalization Initiatives grants from the NYS Office of the Attorney General, to be used for operation and acquiring and developing properties within Broome County. In 2017, the Corporation was awarded \$650,870 for Round 3 to be used and received from January 1, 2017 through December 31, 2018 which has been extended through June 30, 2019, administered through Enterprise Community Partners. As of December 31, 2018, the Corporation has received a total of \$538,284 and expended \$401,577 of the Round 3 grant. Grant activity through the years ended December 31, 2018 and 2017 is as follows:

	New York State Attorney <u>General Grant</u>	
	<u>2018</u>	<u>2017</u>
Total Round 3 grant awarded	\$ 650,870	650,870
Less expenditures incurred	<u>(538,284)</u>	<u>(88,235)</u>
Total remaining on grant award	\$ <u>112,586</u>	<u>562,635</u>
Total amounts received in 2017	\$ 538,284	88,235
Less expenditures incurred	<u>(401,577)</u>	<u>(53,258)</u>
Total revenue deferred to 2018	\$ <u>136,707</u>	<u>34,977</u>

INDEPENDENT AUDITORS' 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

The Board of Directors
Broome 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 Broome County Land Bank Corporation (the Corporation), which comprise the statement of net position as of December 31, 2018 and the related statements of activities and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated February 27, 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 Corporation'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 the 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.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
February 27, 2019