

*LAND REUTILIZATION CORPORATION
OF THE CAPITAL REGION*

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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 statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year 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 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 of 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, 2013, 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.

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 20, 2014

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS

Current Assets	
Cash	\$ 56,131
Construction in Progress	3,724
Prepaid Expense	<u>899</u>
Total Assets	<u>\$ 60,754</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 300
Deposit on Property	500
Deferred Revenue	<u>50,000</u>
Total Current Liabilities	50,800
Net Assets	
Unrestricted	<u>9,954</u>
Total Liabilities and Net Assets	<u>\$ 60,754</u>

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

Support and Revenue	
Donation	\$ 15,000
Total Support and Revenue	<u>15,000</u>
Expenses	
Consulting	4,000
Insurance	1,003
Supplies	<u>43</u>
Total Expenses	<u>5,046</u>
Increase in Net Assets and Net Assets, End of Year	<u>\$ 9,954</u>

LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013

Cash Flows from Operating Activities	
Increase in Net Assets	\$ 9,954
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Change in Operating Assets and Liabilities	
Increase in Construction in Progress	(3,724)
Increase in Prepaid Insurance	(899)
Increase in Accounts Payable	300
Increase in Deposits on Property	500
Increase in Deferred Revenue	<u>50,000</u>
 Net Cash Provided by Operating Activities and Cash, End of Year	 <u>\$ 56,131</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

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.

Estimates

The preparation of financial statements in conformity 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 has applied to be a not-for-profit organization exempt from federal income tax under Section 501(c)(3). As of December 31, 2013 the Internal Revenue Service has not rendered their approval on the Land Bank’s application.

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.

Fair Value

For assets and liabilities measured at fair value on a recurring basis, 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 Corporation would receive upon selling an asset or be paid 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 instrument for which it is practicable to estimate that value:

Cash, construction in progress, prepaid insurance, accounts payable and deposits - The carrying amounts approximate fair value because of the short maturity of these instruments.

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.

As of the date of issuance of these financial statements, the IRS has not granted tax-exempt status, however management of the Land Bank believes an approval will be forthcoming.

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 20, 2014, the date the financial statements were available to be issued. In January, 2014 the Land Bank contracted to purchase a property for \$29,000.

2. CONSTRUCTION IN PROGRESS

Construction in progress at December 31, 2013 represents direct and rehabilitation costs associated with one property. Title to this property was conveyed to a purchaser in February 2014.

3. DEFERRED REVENUE

Deferred revenue represents unexpended grant funds of \$50,000 at December 31, 2013.

4. COMMITMENTS AND CONTINGENCIES

The Land Bank anticipates obtaining a significant portion of its funding from private organizations and governmental entities. These grants will be subject to review and audit by the grantor agencies or their designees. Such audits may lead to a request for reimbursement to the grantor agency for disallowed expenditures.

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