

**NEWBURGH COMMUNITY LAND BANK**

**FINANCIAL REPORT**

**June 30, 2013**

**NEWBURGH COMMUNITY LAND BANK**

**FINANCIAL REPORT**

**June 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Newburgh Community Land Bank  
Newburgh, New York

### Report on the Financial Statements

We have audited the accompanying statement of net position of the Newburgh Community Land Bank (NCLB), as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position, 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 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Newburgh Community Land Bank as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 4 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 our report dated September 18, 2013, on our consideration of NCLB'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 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 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 NCLB's internal control over financial reporting and compliance.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
September 18, 2013

**NEWBURGH COMMUNITY LAND BANK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**DESCRIPTION**

Financial management of the Newburgh Community Land Bank (NCLB) offers readers of these financial statements this narrative overview and analysis of the financial activities for the NCLB for the period from inception (July 6, 2012) to June 30, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. The NCLB encourages its readers to consider the information presented here in conjunction with the financial statements taken as a whole.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis accompanies the NCLB's financial statements, including notes to the financial statements and the reports on compliance and internal control to help the reader better understand the financial statements.

**FINANCIAL STATEMENTS**

The NCLB financial statements provide readers with a comprehensive reporting of the organization's 2013 transactions and balances. The difference between the assets and liabilities is reported as net position. Increases or decreases in net position are an indicator of strengthened or weakened financial position.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**FINANCIAL ANALYSIS**

The year ended June 30, 2013, was the NCLB's first year of operations. Operating revenue for the NCLB was \$186,124 for fiscal year 2013. At the close of fiscal year 2013, the NCLB had a net position of \$116,287, which was attributable to grant income and sale of property offset by consultant fees, depreciation, insurance, office, and property maintenance expenses.

**MISSION AND ACCOMPLISHMENTS**

The NCLB will stimulate planning, economic development, and neighborhood revitalization by acquiring, managing, and disposing of vacant, abandoned, and underutilized properties in a responsible manner.

The NCLB was established and has adopted policies consistent with its mission and regulations. The NCLB also acquired and disposed of properties in a manner consistent with its mission and regulations.

**ECONOMIC FACTORS**

While the City of Newburgh, New York suffers a complicated and distressed economic environment, the NCLB successfully sought and obtained private foundation and public grant funds for both its operation and the acquisition and rehabilitation of property. The following is a summary of the NCLB's financial statements showing the increase in its net position at June 30, 2013:

**NEWBURGH COMMUNITY LAND BANK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**ECONOMIC FACTORS - Continued**

**CONDENSED STATEMENT OF NET POSITION**

	<b>June 30, 2013</b>
<b>ASSETS</b>	
Current assets	\$ 113,735
Property held for development and resale	3,723
Capital assets, net	15,034
Total assets	<b>\$ 132,492</b>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	<b>\$ 16,205</b>
<b>NET POSITION</b>	
Invested in capital assets	15,034
Unrestricted	101,253
Total net position	116,287
Total liabilities and net position	<b>\$ 132,492</b>

**CONDENSED STATEMENT OF ACTIVITIES**

	<b>Year Ended June 30, 2013</b>
<b>REVENUES</b>	
Grant income	\$ 139,415
Sale of property	46,709
Total revenues	186,124
<b>EXPENSES</b>	
Consultant fees	64,167
Depreciation	66
Other operating expenses	5,604
Total expenses	69,837
<b>CHANGE IN NET POSITION</b>	<b>\$ 116,287</b>

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report is designed to provide a general overview of the NCLB's finances and to illustrate the NCLB's accountability for the revenues it receives. Questions concerning this report or requests for additional information should be addressed to the NCLB at P.O. Box 152, Newburgh, New York 12550 or through our website at [www.newburghcommunitylandbank.org/contact.php](http://www.newburghcommunitylandbank.org/contact.php).

NEWBURGH COMMUNITY LAND BANK

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

**CURRENT ASSETS**

Cash	\$ 89,260
Grant receivable	14,915
Prepaid expense	9,560
Total current assets	<u>113,735</u>

**PROPERTY HELD FOR DEVELOPMENT AND RESALE**

3,723

**CAPITAL ASSETS, net**

15,034

**\$ 132,492**

LIABILITIES AND NET POSITION

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 9,705
Unearned revenue	6,500
	<u>16,205</u>

**COMMITMENTS AND CONTINGENCIES**

**NET POSITION**

Net investment in capital assets	15,034
Unrestricted	101,253
	<u>116,287</u>

**\$ 132,492**

**NEWBURGH COMMUNITY LAND BANK**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**

	<b><u>Year Ended</u></b> <b><u>June 30, 2013</u></b>
<b>OPERATING REVENUES</b>	
Grant income	\$ 139,415
Sale of property	46,709
	186,124
<b>OPERATING EXPENSES</b>	
Consultant fees	64,167
Depreciation	66
Insurance	3,696
Office and general	1,249
Property maintenance	659
	69,837
<b>Operating income</b>	<b>116,287</b>
<b>NET POSITION, <i>beginning of year</i></b>	-
<b>NET POSITION, <i>end of year</i></b>	<b>\$ 116,287</b>

The accompanying Notes to Financial Statements are an integral part of these statements.

**NEWBURGH COMMUNITY LAND BANK**

**STATEMENT OF CASH FLOWS**

	<b><u>Year Ended June 30, 2013</u></b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 177,709
Payments to vendors	(69,626)
	<b><u>108,083</u></b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>	
Payments on property held for development	<b><u>(3,723)</u></b>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	<b><u>(15,100)</u></b>
<b>Net increase in cash</b>	<b>89,260</b>
<b>CASH, beginning of year</b>	<b><u>-</u></b>
<b>CASH, end of year</b>	<b><u>\$ 89,260</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income	\$ 116,287
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	66
Changes in operating assets and liabilities	
Grants receivable	(14,915)
Prepaid expenses	(9,560)
Accounts payable and accrued expenses	9,705
Unearned revenue	6,500
	<b><u>\$ 108,083</u></b>

The accompanying Notes to Financial Statements are an integral part of these statements.

# NEWBURGH COMMUNITY LAND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *a. Organization and Purpose*

The Newburgh Community Land Bank (NCLB), a private not-for-profit corporation as defined in Section 201 of the New York Not-For-Profit Corporation Law, was established in 2012 for the purpose of stimulating planning, economic development, and neighborhood revitalization by acquiring, rehabilitating, and disposing of vacant, abandoned, and under-utilized properties within the City of Newburgh, New York (City).

The NCLB was incorporated on July 6, 2012. Reference to the term year throughout the financial statements refers to the period from inception (July 6, 2012) through June 30, 2013.

The NCLB is a public instrumentality of and supporting organization for, but is separate and apart from, the City.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

#### *b. Basis of Accounting and Financial Statement Presentation*

The NCLB's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the NCLB is determined by its measurement focus. The transactions of the NCLB are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into restricted and unrestricted components, as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation.
- *Restricted net position* has externally placed constraints on use.
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of "restricted net position" or "net investment in capital assets."

#### *c. Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *d. Fair Value Measurement*

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

#### *e. Cash*

The NCLB's investment policies are governed by New York State statutes. The NCLB monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The NCLB is authorized to use demand accounts, money market accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State and its localities. Certificates of deposit purchased with a maturity of three months or less are considered cash equivalents.

**NEWBURGH COMMUNITY LAND BANK**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*e. Cash - Continued*

Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Deposits are categorized as either (1) insured by FDIC insurance, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the Agency's name, or (3) uncollateralized.

As of June 30, 2013, the FDIC issuance was sufficient to secure the NCLB's deposits.

*f. Receivables*

Grants receivable consists of amounts due from grantors based on grant agreements.

The NCLB determines any allowance for doubtful accounts by regularly evaluating individual receivables and considering financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts is \$-0- at June 30, 2013.

*g. Property Held for Development and Resale*

Property held for development and resale includes various real estate parcels in the City and are recorded at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas remediation and maintenance costs are expensed as incurred. These properties are typically transferred to the NCLB by the City for a nominal fee.

*h. Capital Assets*

Capital assets are reported at cost, net of accumulated depreciation. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repairs costs are expensed as incurred. The NCLB uses a capitalization threshold to analyze expenditures for capitalization. When capital assets are retired or disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited to operations.

Depreciation is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis. The estimated useful life for office machinery and equipment is five years. The estimated useful life for furniture and fixtures is seven years, and the estimated useful life for leasehold improvements is nine years.

The NCLB evaluated prominent events or changes in circumstances affecting capital assets to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at June 30, 2013.

*i. Revenue Recognition*

Revenues are recognized when earned, and expenses are recognized when incurred. The NCLB distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the NCLB. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Grant revenue is recognized according to each specific grant agreement.

**NEWBURGH COMMUNITY LAND BANK**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*j. Contributed Services*

The NCLB receives legal services and technical advice pursuant to a third-party arrangement funded by a local university. No value has been ascribed to the services received by the NCLB under the arrangement.

*k. Tax Status*

The NCLB is exempt from federal, state, and local income taxes.

*l. Subsequent Events*

The NCLB has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through September 18, 2013, the date the financial statements were available to be issued.

**NOTE 2 - PROPERTY HELD FOR DEVELOPMENT AND RESALE**

The NCLB has acquired various parcels in the City to promote future economic growth and assist in revitalization of the City.

A summary of the changes in the NCLB's property held for development and resale is as follows:

Balance at July 1, 2012	\$	-
Additions		6,187
Disposals		<u>(2,464)</u>
Balance at June 30, 2013	\$	<u>3,723</u>

**NOTE 3 - CAPITAL ASSETS**

Capital assets are summarized as follows:

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Land	\$ -	\$ 1,252	\$ -	\$ 1,252
Equipment	-	1,138	-	1,138
	<u>-</u>	<u>2,390</u>	<u>-</u>	<u>2,390</u>
Less accumulated depreciation	-	(66)	-	(66)
Capital assets in service, net	<u>-</u>	<u>2,324</u>	<u>-</u>	<u>2,324</u>
Construction in progress	-	12,710	-	12,710
	<u>-</u>	<u>12,710</u>	<u>-</u>	<u>12,710</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 15,034</u>	<u>\$ -</u>	<u>\$ 15,034</u>

Construction in progress principally represents professional fees incurred through June 30, 2013, on certain parcels held for future use by the NCLB. There were no significant commitments related to further development of these parcels at June 30, 2013.

**NEWBURGH COMMUNITY LAND BANK**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 4 - TRANSACTIONS WITH THE CITY OF NEWBURGH**

The City transferred six parcels to the NCLB for a nominal fee of \$6 during the fiscal year ended June 30, 2013.

The City has been awarded an Economic Development Initiative Grant from the United States Department of Housing and Urban Development. The City has allocated \$86,000 of the funds to the NCLB. During the year ended June 30, 2013, the NCLB earned \$31,540 under the grant.

**NOTE 5 - CONSULTING AGREEMENT**

The NCLB entered into a consulting agreement with an individual to perform certain management functions on behalf of the NCLB, including property analysis, strategic development, grant management, policy development, program development, project management, and other management type activities and functions.

The agreement provides for a quarterly payments through February 2014. Expenses under the consulting agreement approximated \$64,000 during the period ended June 30, 2013.

**NOTE 6 - CONTINGENCIES**

A substantial portion of the NCLB's revenues are derived from direct and sub-recipient grants. These grants are subject to financial and compliance audits by the grantors or their representatives. The audits of these grants may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the NCLB's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the NCLB believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

**NOTE 7 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED**

During March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

During March 2012, GASB issued Statement No. 66, *Technical Corrections - an Amendment of Statements No. 10 and No. 62*. This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

**NEWBURGH COMMUNITY LAND BANK**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 7 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED - Continued**

During June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations, including mergers and acquisitions. This statement requires disclosures to be made that will enable financial statement users to evaluate the nature and financial effect of those transactions. This statement is effective for periods beginning after December 15, 2013, with earlier application encouraged.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. An obligation guaranteed in a nonexchange transaction will need to be reported until it is legally released as an obligor. This statement is effective for periods beginning after June 15, 2013, with earlier application encouraged.

Management has not estimated the extent of the potential impact of these statements on the NCLB's financial statements.

**NOTE 8 - SUBSEQUENT EVENT**

In July 2013, the City transferred nine additional parcels to the NCLB for a nominal price.

**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**

Board of Directors  
Newburgh Community Land Bank  
Newburgh, New York

We have audited, 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, the statement of net position of the Newburgh Community Land Bank (NCLB), as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the NCLB'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 NCLB's internal control. Accordingly, we do not express an opinion on the effectiveness of the NCLB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 12-01 to be a material weakness.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the NCLB'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 12-02.

### **The NCLB's Responses to Findings**

The NCLB's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The NCLB's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
September 18, 2013

**NEWBURGH COMMUNITY LAND BANK**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ X \_\_\_\_\_ Yes \_\_\_\_\_ No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ None
- Noncompliance material to financial statements? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No

**Section II - Financial Statement Findings**

**12-01. Accounting and Financial Reporting**

*Criteria:* The NCLB has established policies and management practices to help it conduct business consistent with its corporate and public responsibilities. These governance principles establish the culture, values, organizational structure, and control systems that promote accountability and integrity; set a standard of ethical behavior; and support comprehensive, accurate, and transparent reporting and an objective review of financial practices.

*Condition:* During the period ended June 30, 2013, the NCLB relied on its external auditors for assistance with adjusting various account balances and with financial reporting in the NCLB's external financial statements to comply with accounting principles generally accepted in the United States of America (U.S. GAAP).

*Cause:* The NCLB was incorporated on July 6, 2012. Since the period ended June 30, 2013, was the first year of incorporation, the NCLB had limited resources to obtain an employee or consultant with an accounting background. Financial transactions have principally been recorded on the cash basis of accounting.

*Effect:* During the period ended June 30, 2013, the Board was not provided financial information that was in accordance with U.S. GAAP, which could have led to inappropriate or ineffective operational or economic decisions.

*Recommendation:* The NCLB should provide training for its Consulting Director to allow her to maintain the NCLB's records in accordance with U.S. GAAP. We encourage regular communications between our Firm, the Board, and management to keep the NCLB aware of changes in U.S. GAAP, including changes to significant accounting policies, the potential for alternative accounting treatment, and financial reporting requirements. Alternatively, we recommend that the NCLB engage someone with sufficient expertise in financial reporting.

*View of Responsible Officials:* In the next fiscal year, the NCLB intends to enlist professional accounting services to ensure the maintenance of its finances in compliance with all applicable regulations. The NCLB will also make sure that the director receives appropriate training.

**NEWBURGH COMMUNITY LAND BANK**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

**Section III - Compliance Findings**

**12-02. Public Authority Regulations**

*Criteria:* In accordance with Public Authorities Law, the NCLB is required to comply with the following items:

- Individuals appointed to the Board are to participate in state approved training regarding their legal fiduciary, financial, and ethical responsibilities within one year of appointment to the Board.
- All Board members are required to execute and sign an acknowledgement of fiduciary duty at the time the member takes his or her oath of office.
- Certain information must be made available to the public through the internet.
- Performance measures are to be developed to assist the NCLB in determining how well it is carrying out its mission. Each year, the NCLB is required analyze its performance in comparison to these measures and publish its performance measurement report.
- Establish an investment policy. This policy is to be reviewed and formally approved by the Board on an annual basis.
- Annually prepare and approve an investment report, procurement report, real property listing, and real property transaction report
- Establish an audit committee and governance committee.

*Condition:* The NCLB has not completed the items outlined above.

*Effect:* The NCLB was not in compliance with several aspects of the Public Authority Law.

*Cause:* The NCLB has not performed procedures to complete the items outlined above.

*Recommendation:* The NCLB should ensure that it complies with all aspects of Public Authority Law.

*View of Responsible Officials:* The attorney providing corporate advice to the NCLB is presently engaged in a dialogue with the Empire State Development Corporation (ESD) regarding the applicability of all Public Authorities requirements to New York State Land Banks. When a formal opinion has been issued by the ESD, the NCLB will conform to all applicable regulations including any of those enumerated in the findings.