

*LAND REUTILIZATION CORPORATION  
OF THE CAPITAL REGION*

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2014 AND 2013*

*LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION*

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*DECEMBER 31, 2014 AND 2013*

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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 statements of financial position as of December 31, 2014 and 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 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 audits 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years 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 24, 2015

**LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

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**ASSETS**

	<b><u>2014</u></b>	<b><u>2013</u></b>
Current Assets		
Cash	\$ 101,226	\$ 56,131
Pledge Receivable	10,000	-
Construction in Progress	59,307	3,724
Prepaid Expense	<u>3,682</u>	<u>899</u>
Total Current Assets	174,215	60,754
Software, Net	<u>7,134</u>	<u>-</u>
 Total Assets	 <u>\$ 181,349</u>	 <u>\$ 60,754</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Note Payable	\$ 30,000	\$ -
Accounts Payable	2,915	300
Deposit on Property	-	500
Deferred Revenue	<u>19,000</u>	<u>50,000</u>
Total Current Liabilities	51,915	50,800
 Net Assets		
Unrestricted	<u>129,434</u>	<u>9,954</u>
 Total Liabilities and Net Assets	 <u>\$ 181,349</u>	 <u>\$ 60,754</u>

**LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION**

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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	<b><u>2014</u></b>	<b><u>2013</u></b>
Support and Revenue		
Government Grants	\$ 220,200	\$ -
Net Gain on Sale of Properties	843	-
Donations	<u>-</u>	<u>15,000</u>
Total Support and Revenue	<u>221,043</u>	<u>15,000</u>
Expenses		
Consulting	49,086	4,000
Legal and Administrative Expenses	41,441	-
Property Carrying Costs	9,103	-
General Insurance	1,557	1,003
Supplies and Miscellaneous	10	43
Amortization Expense	<u>366</u>	<u>-</u>
Total Expenses	<u>101,563</u>	<u>5,046</u>
Increase in Net Assets	119,480	9,954
Net Assets, Beginning of Year	<u>9,954</u>	<u>-</u>
Net Assets, End of Year	<u><u>\$ 129,434</u></u>	<u><u>\$ 9,954</u></u>

**LAND REUTILIZATION CORPORATION OF THE CAPITAL REGION**

*STATEMENTS OF CASH FLOWS*

*FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013*

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	<b><u>2014</u></b>	<b><u>2013</u></b>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 119,480	\$ 9,954
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Amortization	366	-
Change in Operating Assets and Liabilities		
Increase in Pledge Receivable	(10,000)	-
Increase in Construction in Progress	(55,583)	(3,724)
Increase in Prepaid Insurance	(2,783)	(899)
Increase in Accounts Payable	2,615	300
Increase (Decrease) in Deposits on Property	(500)	500
Increase (Decrease) in Deferred Revenue	<u>(31,000)</u>	<u>50,000</u>
Net Cash Provided by Operating Activities	22,595	56,131
Cash Flows from Investing Activities		
Purchase of Software	(7,500)	-
Cash Flows from Financing Activities		
Proceeds from Note Payable	<u>30,000</u>	<u>-</u>
Increase in Cash	45,095	56,131
Cash, Beginning of Year	<u>56,131</u>	<u>-</u>
Cash, End of Year	<u><u>\$ 101,226</u></u>	<u><u>\$ 56,131</u></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.

*Basis of Accounting*

The basis of accounting used refers to when support and revenue are recognized in the accounts and reported in the financial statements. The financial statements are prepared on the accrual basis of accounting whereby expenses are recorded when incurred rather than when paid and revenue is recorded when earned rather than when received.

*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 these estimates.

*Tax-Exempt Status*

The Land Bank is exempt from federal income tax under Section 501(c)(3).

*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*

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 expense, note payable, accounts payable, deferred revenue and deposits* - The carrying amounts approximate fair value because of the short maturity of these instruments.

*Software* - no attempt has been made to measure the fair value of this asset.

*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.

**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 24, 2015, the date the financial statements were available to be issued. No such events or transactions were identified.

**2. CONSTRUCTION IN PROGRESS**

Construction in progress of \$59,307 and \$3,724 at December 31, 2014 and 2013, respectively, represents direct and rehabilitation costs associated with various properties.

**3. NOTE PAYABLE**

Note payable at December 31, 2014 represents drawdowns of \$30,000 on a \$60,000 non-interest bearing public benefits services agreement with the City of Amsterdam. Management anticipates the remaining \$30,000 will be drawn and the full \$60,000 will be repaid in full in 2015.

**4. DEFERRED REVENUE**

Deferred revenue represents unexpended grant funds of \$19,000 and \$50,000 at December 31, 2014 and 2013, respectively.

**5. CONCENTRATIONS**

For the year ended December 31, 2014, substantially all of the Land Bank's revenues were generated by two government grants. An additional \$29,800 in New York State funding is available for expenditures to be incurred in 2015.

The Land Bank was awarded a \$3 million grant from the New York State Office of the Attorney General for the acquisition, demolition, development of affordable housing and related activities to enhance neighborhood character in 2015 and 2016.

**6. 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 additional costs to be incurred in order to sell the related properties.

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March 24, 2015

To the Board of Directors  
Land Reutilization Corporation  
of the Capital Region

We have audited the financial statements of Land Reutilization Corporation of the Capital Region for the year ended December 31, 2014, and have issued our report thereon dated March 24, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 1, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Land Reutilization Corporation of the Capital Region are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have provided management with journal entries to correct misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole. A copy of those entries are attached as Exhibit 1.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 24, 2015.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We did observe the following matters that, while not considered material weaknesses, we believe merit attention by management and governance:

#### Basis of Accounting

Generally accepted accounting principles requires not-for-profit entities to prepare their financial statements on the accrual basis of accounting whereby expenses are recorded when incurred rather than when paid and revenue is recorded when earned rather than when received. The process of converting your internal cash basis accounting to the accrual basis of accounting required material entries to many of your balance sheet and revenue and expense categories, as well as the reflection of certain disbursement transactions that were issued before year-end but hadn't cleared the bank.

We recommend that management include in its year-end closing process the consideration of the conversion to accrual basis as an integral part of preparing for your annual audit. We will be happy to work with management and your bookkeeping consultant to assist in this process.

### Capitalization Policy

The Land Bank does not appear to have in place a policy that determines what value of asset purchases should be capitalized and depreciated. As an example, many entities will capitalize as a fixed asset any purchase with an expected useful life greater than one year and a cost greater than \$500. In addition, generally accepted accounting principles require that long-term asset donations be recorded upon receipt at the fair market value of the property, and this accounting principle also includes real estate that is donated to the Land Bank for subsequent rehabilitation and sale.

We recommend that management develop a capitalization policy for future fixed asset additions as well as a policy to either obtain an appraisal for donated properties or, at a minimum, where an appraisal is cost prohibitive or not readily available, estimate such value and record the donated asset at its estimated value in the internal accounting.

### Cash Receipt Process

The Land Bank does not appear to presently have a formal cash receipts process documented in writing. We typically see items in a cash receipt process that includes who receives the funds, who records the receipt in the Land Bank's books, who prepares and makes the physical bank deposits, who receives and approves the deposit and the related accounting as examples.

As funding sources are expected to increase dramatically, we recommend management develop a cash receipt process for inclusion in your fiscal policies document.

### Preparation of Financial Statements

Statement of Auditing Standards "Communicating Internal Control Related Matters Identified in an Audit" issued by the American Institute of Certified Public Accountants requires the reporting of a significant deficiency if the Organization does not employ an individual with the necessary qualifications to prepare a complete set of financial statements and related footnotes in accordance with generally accepted accounting principles. Land Reutilization Corporation of the Capital Region does not employ such a person. Governance and management have been advised of this and have concluded that the cost to rectify this comment would exceed the benefit.

This information is intended solely for the use of the Board of Directors and management of Land Reutilization Corporation of the Capital Region and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Cusack & Company, CPA's LLC

Prepared by \_\_\_\_\_

**Land Reutilization Corp of the Cap Regio**  
**Adjusting Journal Entries**

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Reviewed by \_\_\_\_\_

*EXHIBIT 1*

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
AJE01	Adjusting	12/31/14					
		4015	Grants - Other	12,000.00			
		1401	Software	7,500.00			
		6010	Consultants Expense		19,500.00		
			capitaize property management software (net of grant)			7,500.00	
AJE02	Adjusting	12/31/14					
		6010	Consultants Expense	12,693.20			
		6035	Legal Fees	14,633.49			
		6031	Professional Svcs - Design	2,905.00			
		1000	Cash - Master/Admin		30,231.69		
			Adjust Cash bal for uncleared checks at YE			(30,231.69)	A-1.3
AJE03	Adjusting	12/31/14					
		6015	Title Search/Deed Filing/Appraisal	185.00			
		1003	Cash - Amsterdam FGU		185.00		
			Adjust Cash bal for uncleared o/s checks at YE			(185.00)	
AJE04	Adjusting	01/01/14					
		3000	Net Assets	46,177.00			
		1300	WIP	3,724.00			
		1120	Prepaid Insurance	899.00			
		2000	Accounts Payable		300.00		
		2200	Deposit Liability		500.00		
		2500	Deferred Revenue		50,000.00		
			Adjust beginning net assets			0.00	S-1
AJE05	Adjusting	12/31/14					
		2000	Accounts Payable	300.00			
		6015	Title Search/Deed Filing/Appraisal		300.00		
			Reverse PY A/P balance and remove CY expense (as it actually relates to the PY)			300.00	N-1

Prepared by \_\_\_\_\_

**Land Reutilization Corp of the Cap Regio**  
**Adjusting Journal Entries**

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Page 2

Reviewed by \_\_\_\_\_

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
AJE06	Adjusting	12/31/14					
		6010	Consultants Expense	2,220.00			
		1300	WIP	695.00			
		2000	Accounts Payable		2,915.00		
						(2,220.00)	
			Book subsequent disbursements that s/h/b in A/P				N-2
AJE07	Adjusting	12/31/14					
		6000	D&O Liability Insurance Exp	899.00			
		1120	Prepaid Insurance		899.00		
						(899.00)	
			Remove PY prepaid ins that was through 7/1/2014				
AJE08	Adjusting	12/31/14					
		1120	Prepaid Insurance	1,037.38			
		6000	D&O Liability Insurance Exp		1,037.38		
						1,037.38	
			Book portion of D&O insurance that is prepaid				
AJE09	Adjusting	12/31/14					
		1121	Prepaid Home Depot Card - 35 Jul	12,000.00			
		6030	Property Work		12,000.00		
						12,000.00	
			Reclass 35 Julia prepaid Home depot cards to prepaid exp				
AJE10	Adjusting	12/31/14					
		1300	WIP	9,740.50			
		1121	Prepaid Home Depot Card - 35 Jul		9,740.50		
						0.00	
			Reclass use of PP gift cards for work on 35 Julia				
AJE11	Adjusting	12/31/14					
		1300	WIP	27,639.31			
		6020	Property Purchase		27,639.31		
						27,639.31	
			Reclass purchase of 870 Eastern from expense to asset account				

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
AJE12	Adjusting	12/31/14					
		2200	Deposit Liability	500.00			
		4025	Property Sales/Deposits		500.00		
			Reverse deposit liability to income for CY related to sale of Strong St			500.00	
AJE13	Adjusting	12/31/14					
		6050	Cost of Properties Sold	3,724.34			
		1300	WIP		3,724.34		
			Remove 1006 Strong Street from WIP (property was sold)			(3,724.34)	
AJE14	Adjusting	12/31/14					
		1200	Accounts Receivable	10,000.00			
		2500	Deferred Revenue		10,000.00		
			Book Wells Fargo Consaul Road Donation to A/R and Deferred Revenue			0.00	C-2
AJE15	Adjusting	12/31/14					
		1300	WIP	9,865.00			
		6031	Professional Svcs - Design		2,905.00		
		6030	Property Work		6,960.00		
			Reclass Vale/Eastern Park design to WIP asset account			9,865.00	
AJE16	Adjusting	12/31/14					
		1300	WIP	6,075.20			
		6010	Consultants Expense		6,075.20		
			Reclass property expenses that relate to property work			6,075.20	
AJE17	Adjusting	12/31/14					
		1300	WIP	3,685.00			
		6030	Property Work		3,500.00		
		6015	Title Search/Deed Filing/Appraisal		185.00		
						3,685.00	

Prepared by \_\_\_\_\_

**Land Reutilization Corp of the Cap Regio**  
**Adjusting Journal Entries**

3024

Page 4

Reviewed by \_\_\_\_\_

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
			Reclass property work expenses to WIP account				D-6
AJE18	Adjusting	12/31/14					
		1300	WIP	450.00			
		6035	Legal Fees		450.00		
						450.00	
			Reclass closing fee to Consaul Road WIP				
AJE19	Adjusting	12/31/14					
		1120	Prepaid Insurance	384.48			
		1300	WIP	1,157.66			
		6045	Property Insurance		1,542.14		
						1,542.14	
			Reclass portion of property ins to prepaid and WIP account				
AJE20	Adjusting	12/31/14					
		2500	Deferred Revenue	50,000.00			
		4000	Grants - County of Schdy		50,000.00		
						50,000.00	
			Move CY Schdy County Grant deferred revenue into CY revenue				R-1
AJE21	Adjusting	12/31/14					
		4025	Property Sales/Deposits	9,000.00			
		2500	Deferred Revenue		9,000.00		
						(9,000.00)	
			Move Barrett St donation to deferred revenue				R-1
AJE22	Adjusting	12/31/14					
		1451	Accumulated Amortization		365.75		
		6055	Amortization Expense	365.75			
						(365.75)	
			Book CY Amortization				
		TOTAL		<u>250,455.31</u>	<u>250,455.31</u>	<u>73,968.25</u>	