

Newburgh Community Land Bank

Financial Report

June 30, 2014 and 2013

Newburgh Community Land Bank

Financial Report

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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 financial statements of the Newburgh Community Land Bank (NCLB), which comprise the statement of net position as of June 30, 2014, 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 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 NCLB'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 NCLB'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 net position of the NCLB as of June 30, 2014, and the changes in its net 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

Prior Year Financial Statements

The financial statements of the NCLB, as of and for the year ended June 30, 2013, were audited by Bollam, Sheedy, Torani & Co. LLP which merged with Sax, Macy, Fromm & Co., PC to form SaxBST LLP as of January 1, 2014. Bollam, Sheedy, Torani & Co. LLP's report dated September 18, 2013, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 September 29, 2014, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NCLB's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
September 29, 2014



Newburgh Community Land Bank

Management's Discussion and Analysis June 30, 2014 and 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 fiscal year ended June 30, 2014. 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 internal control over financial reporting and on compliance 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 2014 and 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, 2014, was the NCLB's second year of operations. Operating revenue for fiscal year 2014 approximated \$664,000. The NCLB had a net position of approximately \$627,000, which was attributable to grant income and sale of property offset by operating 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. The Newburgh Community Land Bank received a \$2,430,000 grant to be incrementally disbursed over two years that will fund the environmental abatement and stabilization of more than twenty-five properties and facilitate the creation of more than forty dwelling units for rental and homeownership opportunity as well as numerous commercial spaces. The NCLB completed the renovation of its permanent offices.

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 during June 30, 2014 and 2013:

Newburgh Community Land Bank

Management's Discussion and Analysis June 30, 2014 and 2013

Economic Factors - Continued

Condensed Statement of Net Position

	June 30,	
	2014	2013
ASSETS		
Current assets	\$ 401,475	\$ 113,735
Property held for development and resale	230,032	3,723
Capital assets, net	14,806	15,034
Total assets	\$ 646,313	\$ 132,492
LIABILITIES AND NET POSITION		
LIABILITIES		
	\$ 19,046	\$ 16,205
NET POSITION		
Invested in capital assets	14,806	15,034
Unrestricted	612,461	101,253
Total net position	627,267	116,287
Total liabilities and net position	\$ 646,313	\$ 132,492

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2014	2013
REVENUES		
Grant income	\$ 637,651	\$ 139,415
Sale of property	26,392	46,709
Total revenues	664,043	186,124
EXPENSES		
Consultant fees	48,333	64,167
Payroll and payroll taxes	37,325	-
Insurance	32,945	3,696
Professional fees	24,650	-
Other operating expenses	9,277	1,908
Depreciation and amortization	228	66
Total expenses	152,758	69,837
OPERATING INCOME	511,285	116,287
NONOPERATING EXPENSE		
Interest	(305)	-
CHANGES IN NET POSITION	\$ 510,980	\$ 116,287

Newburgh Community Land Bank

Management's Discussion and Analysis
June 30, 2014 and 2013

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.

Newburgh Community Land Bank

Statement of Net Position

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 256,878	\$ 89,260
Grant receivable	143,646	14,915
Prepaid expenses	951	9,560
Total current assets	<u>401,475</u>	<u>113,735</u>
PROPERTY HELD FOR DEVELOPMENT AND RESALE	230,032	3,723
CAPITAL ASSETS, net	<u>14,806</u>	<u>15,034</u>
	<u>\$ 646,313</u>	<u>\$ 132,492</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 16,343	\$ 9,705
Accrued expenses	2,703	-
Deferred revenue	-	6,500
	<u>19,046</u>	<u>16,205</u>
CONTINGENCIES		
NET POSITION		
Net investment in capital assets	14,806	15,034
Unrestricted	<u>612,461</u>	<u>101,253</u>
	<u>627,267</u>	<u>116,287</u>
	<u>\$ 646,313</u>	<u>\$ 132,492</u>

See accompanying Notes to Financial Statements.

Newburgh Community Land Bank

Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2014	2013
OPERATING REVENUES		
Grant income	\$ 637,651	\$ 139,415
Gain on sale of property	26,392	46,709
Total operating revenues	<u>664,043</u>	<u>186,124</u>
OPERATING EXPENSES		
Consultant fees	48,333	64,167
Payroll	34,211	-
Insurance	32,945	3,696
Professional fees	24,650	-
Office and general	4,650	1,249
Payroll taxes	3,114	-
Utilities	2,365	-
Repairs and maintenance	1,185	-
Taxes and licenses	539	-
Land development	538	659
Depreciation and amortization	228	66
Total operating expenses	<u>152,758</u>	<u>69,837</u>
Operating income	511,285	116,287
NONOPERATING EXPENSE		
Interest	<u>(305)</u>	<u>-</u>
CHANGES IN NET POSITION	510,980	116,287
NET POSITION, <i>beginning of year</i>	<u>116,287</u>	<u>-</u>
NET POSITION, <i>end of year</i>	<u>\$ 627,267</u>	<u>\$ 116,287</u>

See accompanying Notes to Financial Statements.

Newburgh Community Land Bank

Statement of Cash Flows

	Years Ended June 30,	
	2014	2013
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from customers	\$ 528,812	\$ 177,709
Payments to vendors	(97,255)	(69,626)
Payments for salaries	(37,325)	-
	394,232	108,083
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Payments on property held for development	(226,309)	(3,723)
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	-	(15,100)
Proceeds from borrowings	40,000	-
Repayments of borrowings	(40,000)	-
Payments for interest	(305)	-
	(305)	(15,100)
Net increase in cash	167,618	89,260
CASH, beginning of year	89,260	-
CASH, end of year	\$ 256,878	\$ 89,260
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 511,285	\$ 116,287
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation and amortization	228	66
Changes in operating assets and liabilities		
Grants receivable	(128,731)	(14,915)
Prepaid expenses	8,609	(9,560)
Accounts payable	6,638	9,705
Accrued expenses	2,703	-
Deferred revenue	(6,500)	6,500
	\$ 394,232	\$ 108,083

See accompanying Notes to Financial Statements.

Newburgh Community Land Bank

Notes to Financial Statements June 30, 2014 and 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 on July 6, 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 is a public instrumentality of and supporting organization for, but is separate and apart from, the City.

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. The NCLB had no restricted net position as of June 30, 2014 and 2013.
- *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. *Estimates*

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

d. *Fair Value Measurement*

The NCLB reports certain assets and liabilities at fair value. Fair value is defined as an exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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 New York 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, 2014 and 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.

FDIC insurance substantially collateralized all NCLB deposits at both June 30, 2014 and 2013.

f. Grant 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. No allowance was deemed necessary at both June 30, 2014 and 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. Furniture and fixtures is seven years, and 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, 2014 or 2013.

Newburgh Community Land Bank

Notes to Financial Statements June 30, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

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.

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.

The NCLB files a Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated the NCLB's tax positions, including interest and penalties attributable thereto, and concluded that the NCLB had taken no tax positions that required adjustment in its financial statements as of June 30, 2014 and 2013.

Forms 990 filed by the NCLB are subject to examination by taxing authorities.

l. Subsequent Events

The NCLB has evaluated subsequent events for potential recognition or disclosure through September 29, 2014, 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:

	June 30,	
	2014	2013
Balance, beginning of year	\$ 3,723	\$ -
Acquisitions	229,917	6,187
Dispositions	(3,608)	(2,464)
Balance, end of year	<u>\$ 230,032</u>	<u>\$ 3,723</u>

Newburgh Community Land Bank

Notes to Financial Statements June 30, 2014 and 2013

Note 2 - Property Held for Development and Resale - Continued

A summary of dispositions of NCLB property held for development and resale is as follows:

	Years ended June 30,	
	2014	2013
Gross proceeds	\$ 30,000	\$ 49,534
Carrying value	3,608	2,825
Gain on sale of property	\$ 26,392	\$ 46,709

Note 3 - Capital Assets

Capital assets are summarized as follows:

	Balance at July 1, 2013	Additions / Transfers	Disposals / Transfers	Balance at June 30, 2014
Land	\$ 1,252	\$ -	\$ -	\$ 1,252
Building	-	12,710	-	12,710
Equipment and furniture	1,138	-	-	1,138
	2,390	12,710	-	15,100
Less accumulated depreciation	(66)	(228)	-	(294)
Capital assets in service, net	2,324	12,482	-	14,806
Construction in progress	12,710	-	(12,710)	-
Total capital assets, net	\$ 15,034	\$ 12,482	\$ (12,710)	\$ 14,806

Note 4 - Transactions With the City of Newburgh

The City transferred to the NCLB 23 and 6 parcels of property for a nominal fee of \$23 and \$6 during the years ended June 30, 2014 and 2013, respectively.

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. Under the grant, the NCLB earned approximately \$44,700 and \$39,400 during the years ended June 30, 2014 and 2013, respectively.

Note 5 - Contingencies

A substantial portion of the NCLB's revenues is 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.

Newburgh Community Land Bank

Notes to Financial Statements June 30, 2014 and 2013

Note 6 - Accounting Standard Issued But Not Yet Implemented

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This statement addresses an issue regarding the application of the transition provisions of statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of the statement are to be adopted simultaneously with statement No. 68.

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.

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

Note 8 - Subsequent Events

During July 2014, the NCLB entered into a contract with a vendor for rehabilitations services related to a property held for development in the amount of approximately \$41,600.

**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, 2014, 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 29, 2014.

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 deficiencies 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 deficiencies described in the accompanying schedule of findings and responses as items 14-01 and 14-02 to be material weaknesses.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 14-03 and 14-04.

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.

SaxBST LLP

Albany, New York
September 29, 2014

Newburgh Community Land Bank

Schedule of Findings and Responses Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None

Noncompliance material to financial statements? Yes No

Section II - Financial Statement Findings

14-01. 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 year ended June 30, 2014, 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. As a new organization, 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: Financial transactions have been recorded on the cash basis of accounting which is not in accordance with U.S. GAAP. Accordingly, numerous adjustments are required to present financial information in accordance with the accrual basis of accounting.

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 is in compliance with all applicable regulations. The NCLB will also make sure that the Consulting Director receives appropriate training. In addition, a part time administrative assistant will be hired to assist with bookkeeping and maintaining records.

Newburgh Community Land Bank

Schedule of Findings and Responses Year Ended June 30, 2014

Section II - Financial Statement Findings - Continued

14-02. Cash Disbursement Control

Criteria: The NCLB should have a review of checks or a check register before they are processed and sent out to pay vendors.

Condition: We noted that the cash disbursement process does not include a review of the checks issued and sent out to various vendors after approved invoices have been paid by the bookkeeper. A review of the check register and comparison against approved paid invoices will improve cash disbursement controls, addressing the risk of erroneous or inaccurate payments.

Cause: During the audit for the year ended June 30, 2014, a check was written without a payee.

Effect: With no review of checks written by the NCLB or a check register, a check was written without a payee.

Recommendation: We recommend that paid invoices, which have been canceled or otherwise designated as paid, be compared against the check register and copies of the issued checks. This practice will greatly enhance controls over cash disbursements. Further, checks should be completed in their entirety prior to signing.

View of Responsible Officials: The NCLB has adopted a \$20,000 threshold above which checks or the check register will be reviewed by the Board prior to disbursement.

Section III - Compliance Findings

14-03. 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 several of the items outlined above.

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

Newburgh Community Land Bank

Schedule of Findings and Responses Year Ended June 30, 2014

Section III - Compliance Findings - Continued

14-03. Public Authority Regulations - Continued

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

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

View of Responsible Officials: The NCLB has engaged Harris Beach PLLC, a firm with significant Public Authorities expertise, to advise the organization on all applicable provision of New York and Federal law compliance. This finding has been submitted to Harris Beach PLLC, and the NCLB will make all recommended changes to its structure, policies, and record keeping processes.

14-04. Cash Collateralization

Criteria: In accordance with Public Authorities Law, the NCLB should be fully collateralized at all times throughout the year, in an effort to not lose public funds received.

Condition: While conducting the audit of cash, we noted the NCLB had cash on deposit in excess of the federally-insured limit in a financial institution. This presents a potential for losses to the NCLB in the event of bank or institutional failure.

Cause: The NCLB cash balance with KeyBank exceeded the Federal Deposit Insurance Corporation (FDIC) insurance amount of \$250,000 for much of the year ended June 30, 2014.

Effect: Deposits in excess of FDIC limits are at risk in the event of a bank failure.

Recommendation: As required by the Public Authorities Law, the NCLB should obtain collateralization insurance through a third party or move some funds to a different financial institution so the balances would remain under the \$250,000 FDIC insurance threshold.

View of Responsible Officials: The NCLB will investigate obtaining collateralization insurance. Alternatively, NCLB will maintain accounts at multiple banks in order to keep its accounts under the \$250,000 FDIC insurance threshold.