

**Newburgh Community Land Bank**

Financial Report

June 30, 2015 and 2014

# Newburgh Community Land Bank

## Financial Report

June 30, 2015 and 2014

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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 statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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 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 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 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.

### **Opinions**

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, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

#### *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 audits 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 30, 2015, 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 30, 2015

# **Newburgh Community Land Bank**

## **Management's Discussion and Analysis June 30, 2015 and 2014**

### **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, 2015. 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 2015 and 2014 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, 2015 was the NCLB's third year of operations. Operating revenue for fiscal year 2015 approximated \$1,338,000. The NCLB had a net position of approximately \$1,756,000, 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 NCLB received a \$4,408,850 grant to be incrementally disbursed through December 31, 2016, 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 as of and for the years ended June 30, 2015 and 2014:

# Newburgh Community Land Bank

## Management's Discussion and Analysis June 30, 2015 and 2014

### Economic Factors - Continued

#### Condensed Statements of Net Position

	June 30,	
	2015	2014
<b>ASSETS</b>		
Current assets	\$ 968,745	\$ 401,475
Property held for development and resale	995,008	230,032
Capital assets, net	13,943	14,806
Total assets	<b>\$ 1,977,696</b>	<b>\$ 646,313</b>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities	\$ 29,147	\$ 19,046
Construction loan	192,925	-
Total liabilities	222,072	19,046
<b>NET POSITION</b>		
Invested in capital assets	13,943	14,806
Unrestricted	1,741,681	612,461
Total net position	1,755,624	627,267
Total liabilities and net position	<b>\$ 1,977,696</b>	<b>\$ 646,313</b>

#### Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2015	2014
<b>OPERATING REVENUES</b>		
Grant income	\$ 1,230,188	\$ 637,651
Sale of property	-	26,392
Other operating income	107,050	-
Total operating revenues	1,337,238	664,043
<b>OPERATING EXPENSES</b>		
Consultant fees	12,900	48,333
Payroll, payroll taxes, and payroll fees	165,904	37,325
Insurance	1,351	32,945
Professional fees	11,929	24,650
Grants	5,000	-
Office and general	12,638	4,650
Depreciation and amortization	863	228
Other operating expenses	11,488	4,627
Total operating expenses	219,898	152,758
<b>OPERATING INCOME</b>	<b>1,117,340</b>	<b>511,285</b>
<b>NONOPERATING EXPENSE</b>		
Rental income	11,017	-
Interest	-	(305)
<b>CHANGES IN NET POSITION</b>	<b>\$ 1,128,357</b>	<b>\$ 510,980</b>

# **Newburgh Community Land Bank**

Management's Discussion and Analysis  
June 30, 2015 and 2014

## **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

## Statements of Net Position

	June 30,	
	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 962,438	\$ 256,878
Grants receivable	4,809	143,646
Prepaid expenses	1,498	951
Total current assets	<u>968,745</u>	<u>401,475</u>
<b>PROPERTY HELD FOR DEVELOPMENT AND RESALE</b>	995,008	230,032
<b>CAPITAL ASSETS, net</b>	<u>13,943</u>	<u>14,806</u>
	<b><u>\$ 1,977,696</u></b>	<b><u>\$ 646,313</u></b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 14,180	\$ 16,343
Accrued expenses	14,967	2,703
	<u>29,147</u>	<u>19,046</u>
<b>CONSTRUCTION LOAN</b>	<u>192,925</u>	<u>-</u>
	<u>222,072</u>	<u>19,046</u>
<b>CONTINGENCIES</b>		
<b>NET POSITION</b>		
Net investment in capital assets	13,943	14,806
Unrestricted	1,741,681	612,461
	<u>1,755,624</u>	<u>627,267</u>
	<b><u>\$ 1,977,696</u></b>	<b><u>\$ 646,313</u></b>

See accompanying Notes to Financial Statements.

# Newburgh Community Land Bank

## Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2015	2014
<b>OPERATING REVENUES</b>		
Grant income	\$ 1,230,188	\$ 637,651
Sales of redevelopment property, net	-	26,392
Other program income	107,050	-
Total operating revenues	1,337,238	664,043
<b>OPERATING EXPENSES</b>		
Consultant fees	12,900	48,333
Payroll	150,233	34,211
Insurance	1,351	32,945
Professional fees	11,929	24,650
Office and general	12,638	4,650
Payroll taxes	14,138	3,114
Utilities	5,575	2,365
Repairs and maintenance	1,025	1,185
Taxes and licenses	125	539
Land development	1,579	538
Commissions and fees	1,009	-
Grants	5,000	-
Payroll processing fees	1,533	-
Depreciation	863	228
Total operating expenses	219,898	152,758
<b>Operating income</b>	<b>1,117,340</b>	<b>511,285</b>
<b>NONOPERATING INCOME (EXPENSE)</b>		
Rental income	11,017	-
Interest	-	(305)
	11,017	(305)
<b>CHANGES IN NET POSITION</b>	<b>1,128,357</b>	<b>510,980</b>
<b>NET POSITION, <i>beginning of year</i></b>	627,267	116,287
<b>NET POSITION, <i>end of year</i></b>	<b>\$ 1,755,624</b>	<b>\$ 627,267</b>

See accompanying Notes to Financial Statements.

# Newburgh Community Land Bank

## Statements of Cash Flows

	Years Ended June 30,	
	2015	2014
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Receipts from grantors	\$ 1,476,075	\$ 528,812
Payments to vendors for goods and services	(57,374)	(97,255)
Payments to employees for services	(152,107)	(37,325)
	<b>1,266,594</b>	<b>394,232</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Rental receipts	11,017	-
Payments on property held for development and resale	(764,976)	(226,309)
	<b>(753,959)</b>	<b>(226,309)</b>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from borrowings	192,925	40,000
Repayments of borrowings	-	(40,000)
Payments for interest	-	(305)
	<b>192,925</b>	<b>(305)</b>
<b>Net increase in cash</b>	<b>705,560</b>	<b>167,618</b>
<b>CASH, beginning of year</b>	256,878	89,260
<b>CASH, end of year</b>	<b>\$ 962,438</b>	<b>\$ 256,878</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income	\$ 1,117,340	\$ 511,285
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	863	228
Changes in operating assets and liabilities		
Grants receivable	138,837	(128,731)
Prepaid expenses	(547)	8,609
Due from other governments	-	6,638
Accounts payable	(2,163)	-
Accrued expenses	12,264	2,703
Deferred revenue	-	(6,500)
	<b>\$ 1,266,594</b>	<b>\$ 394,232</b>

See accompanying Notes to Financial Statements.

# Newburgh Community Land Bank

## Notes to Financial Statements June 30, 2015 and 2014

### 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.
- *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 in conformity with U. S. GAAP 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, 2015 and 2014

### 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.

#### *f. Grants Receivable*

Grants receivable consist 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, 2015 and 2014.

#### *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 ranging from five to 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, 2015 or 2014.

#### *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.

# Newburgh Community Land Bank

## Notes to Financial Statements June 30, 2015 and 2014

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

#### *i. Revenue Recognition - Continued*

The NCLB has been awarded grants from the New York State Office of the Attorney General in the aggregate amount of approximately \$4.4 million to promote community revitalization efforts and execute projects through December 31, 2016. Payments under the grants are based on estimated needs of the NCLB on a quarterly basis or based upon project budgets. Revenues under the grants are recognized as eligible project expenditures are incurred.

Other program income relates to cash received by the NCLB pursuant to agreements to acquire properties at nominal or no cost.

#### *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 and, therefore, no amounts have been reflected in the financial statements.

#### *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, 2015 and 2014.

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 30, 2015, 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,	
	2015	2014
Balance, <i>beginning of year</i>	\$ 230,032	\$ 3,723
Acquisitions	757,523	229,917
Dispositions	-	(3,608)
Balance, <i>end of year</i>	<u>\$ 987,555</u>	<u>\$ 230,032</u>

# Newburgh Community Land Bank

## Notes to Financial Statements June 30, 2015 and 2014

### 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,	
	2015	2014
Gross proceeds	\$ -	\$ 30,000
Carrying value	-	3,608
	\$ -	\$ 26,392
Sales of redevelopment property, net	\$ -	\$ 26,392

### Note 3 - Capital Assets

A summary of changes in capital assets is as follows:

	Balance at July 1, 2013	Additions	Balance at July 1, 2014	Additions/ Transfers	Balance at June 30, 2015
Land	\$ 1,252	\$ -	\$ 1,252	\$ -	\$ 1,252
Building	-	12,710	12,710	-	12,710
Equipment and furniture	1,138	-	1,138	-	1,138
	2,390	12,710	15,100	-	15,100
Less accumulated depreciation	(66)	(228)	(294)	(863)	(1,157)
Total capital assets, net	\$ 2,324	\$ 12,482	\$ 14,806	\$ (863)	\$ 13,943

### Note 4 - Transactions With the City of Newburgh

During the years ended June 30, 2015 and 2014, the City transferred several properties to the NCLB for nominal amounts.

The City has been awarded an Economic Development Initiative Grant from the United States Department of Housing and Urban Development. The City has allocated a portion of the funds to the NCLB. Under the grant, the NCLB earned approximately \$ 28,500 and \$44,700 during the years ended June 30, 2015 and 2014, respectively.

In June 2015, the City and the NCLB entered into a sub-grantee agreement under the Community Development Block Grant (CDBG) Program from the United States Department of Housing and Urban Development. The City has allocated \$389,500 of the funds to the NCLB under the program through December 31, 2017. No amounts were earned under the grant during the year ended June 30, 2015.

# Newburgh Community Land Bank

## Notes to Financial Statements June 30, 2015 and 2014

### **Note 5 - Construction Loan**

During the year ended June 30, 2015, the NCLB entered into a \$300,000 construction loan with the Community Preservation Corporation. The loan bears interest at LIBOR plus 4.80%, with a 6% interest floor. The loan is to be used for rehabilitation of a specific property owned by the NCLB, and cash is disbursed to the NCLB when it requests reimbursement for expenses related to this property. The outstanding balance at June 30, 2015 was \$192,925. Upon completion of the rehabilitation of the property, both the related debt and the property will be transferred to the purchaser, which is already under contract.

### **Note 6 - 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.

### **Note 7 - Accounting Standard Issued But Not Yet Implemented**

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. Fair value measurements include the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at a specific measurement date. This statement provides specific guidance for determining the fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for all financial statements with periods beginning after June 15, 2015, early adoption is encouraged.

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

**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, 2015, 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 30, 2015.

**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 deficiency described in the accompanying schedule of findings and responses as item 2015-001 to be 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 2015-002.

### **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 30, 2015

# Newburgh Community Land Bank

## Schedule of Findings and Responses Year Ended June 30, 2015

### 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

#### 2015-001 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, 2015, 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 young organization, the NCLB had limited resources to obtain an employee or consultant with an accounting background. To date, 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 engage someone with sufficient expertise in financial reporting requirements embodied within accounting principles generally accepted in the United States of America.

*View of Responsible Officials:* The NCLB has recently engaged an independent accounting firm to assist it in preparing financial statements in accordance with U.S. GAAP.

### Section III - Compliance Findings

#### 2015-002 Cash Collateralization

*Criteria:* In accordance with Public Authorities Law, collateral is required for demand deposits and certificates of deposit in excess of Federal Deposit Insurance limits.

*Condition:* At June 30, 2015, and during portions of the fiscal year then ended, the NCLB had cash on deposit in excess of the federally-insured limits in certain financial institutions.

# Newburgh Community Land Bank

## Schedule of Findings and Responses Year Ended June 30, 2015

### Section III - Compliance Findings - Continued

#### 2015-002 Cash Collateralization - Continued

*Cause:* Cash balances with two financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) insurance amount of \$250,000 during the years ended June 30, 2015 and 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 collateralize deposits in excess of the \$250,000 FDIC insurance threshold.

*View of Responsible Officials:* The NCLB will review, and if necessary modify, current policies and procedures with respect to collateralization requirements of the Public Authorities Law.