

ALBANY COUNTY LAND BANK CORPORATION

Financial Statement
as of December 31, 2020

**Together with Independent
Auditor's Reports**

Bonadio & Co., LLP
Certified Public Accountants

ALBANY COUNTY LAND BANK CORPORATION

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INDEPENDENT AUDITOR'S REPORT

March 24, 2021

To the Board of Directors of
Albany County Land Bank Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Albany County Land Bank Corporation (Land Bank), a component unit of the County of Albany, New York, (County), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Land Bank's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Albany County Land Bank Corporation, as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Management has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America (U.S. GAAP) requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021 on our consideration of the Land Bank'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 solely 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 effectiveness of the Land Bank's 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 Land Bank's internal control over financial reporting and compliance.

ALBANY COUNTY LAND BANK CORPORATION
(A Component Unit of the County of Albany, New York)

Statement of Net Position
December 31, 2020

ASSETS

Cash and cash equivalents	\$ 4,947,254
Accounts receivable	43,110
Grants receivable	714,066
Property held for sale	6,077,324
Prepaid expenses	<u>43,939</u>
Total current assets	<u>11,825,693</u>
Capital assets, net	<u>923</u>
Total assets	<u>11,826,616</u>

LIABILITIES

Accounts payable and accrued liabilities	493,939
Paycheck Protection Program Loan	99,900
Unearned revenue	<u>757,490</u>
Total current liabilities	<u>1,351,329</u>
Total liabilities	<u>1,351,329</u>

NET POSITION

Net investment in capital assets	923
Unrestricted - property held for sale	6,077,324
Unrestricted - available for operations	<u>4,397,040</u>
Total net position	<u>\$ 10,475,287</u>

The accompanying notes are an integral part of these financial statements.

ALBANY COUNTY LAND BANK CORPORATION
(A Component Unit of the County of Albany, New York)

Statement of Revenue, Expenses and Change in Net Position
For the year ended December 31, 2020

OPERATING REVENUE:

Sale of properties	\$ 2,356,079
Grant revenue - State of New York	959,717
Grant revenue - County of Albany	250,000
Other income	125,881
Fees and other revenues	28,391
Grant revenue - State of New York (Neighbors for Neighborhoods)	<u>8,473</u>
Total operating revenue	<u>3,728,541</u>

OPERATING EXPENSES:

Cost of sales	2,874,593
Property maintenance and improvements	926,500
Salaries and benefits	513,873
Property tax recoveries paid to County	350,000
Property held for sale valuation adjustment	263,912
Insurance	210,693
Professional fees	207,566
Office and administrative	70,849
Property sale related	6,363
Travel	3,800
Depreciation	<u>1,129</u>
Total operating expenses	<u>5,429,278</u>
Operating loss	<u>(1,700,737)</u>

NON-OPERATING REVENUE:

Interest	<u>2,169</u>
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LOSS BEFORE CONTRIBUTIONS (1,698,568)

CONTRIBUTION - Donation of property for sale 1,883,535

CHANGE IN NET POSITION 184,967

NET POSITION - beginning of year 10,290,320

NET POSITION - end of year \$ 10,475,287

The accompanying notes are an integral part of these financial statements

ALBANY COUNTY LAND BANK CORPORATION
(A Component Unit of the County of Albany, New York)

Statement of Cash Flows
For the year ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from property sales	\$ 2,315,619
Receipts from operating grants	1,326,775
Receipts from other operating activities	154,272
Payments to employees for salaries and benefits	(525,837)
Payments to vendors for goods and services	<u>(2,275,520)</u>

Net cash flows from operating activities 995,309

CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from PPP loan	<u>99,900</u>
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Net cash flows from capital and related financing activities 99,900

CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts from interest earnings	<u>2,169</u>
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Net cash flows from investing activities 2,169

Net change in cash 1,097,378

Cash, beginning of year 3,849,876

Cash, end of year \$ 4,947,254

RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:

Operating loss	\$ (1,700,737)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	1,129
Cost of property sales/valuation adjustment (non-cash item)	3,138,506
Change in assets and liabilities:	
Accounts receivable	(40,460)
Grant receivable	643,895
Property for re-sale	(116,978)
Prepaid expenses	(28,826)
Accounts payable and accrued liabilities	(365,910)
Unearned revenue	<u>(535,310)</u>

Net cash flows from operating activities \$ 995,309

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:

Donation of property held for sale	<u>\$ 1,883,535</u>
Cost of property sold not acquired with cash	<u>\$ 3,138,506</u>

The accompanying notes are an integral part of these financial statements.

ALBANY COUNTY LAND BANK CORPORATION
(A Component Unit of the County of Albany, New York)

Notes to Basic Financial Statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Albany County Land Bank Corporation (Land Bank) was formed July 1, 2014, and is governed by its articles of incorporation, bylaws and the laws of the State of New York. The Land Bank was established to facilitate the process of acquiring, improving and redistributing vacant and abandoned properties in the County of Albany (County). The Land Bank's board of directors is comprised of individuals appointed by the County. The Land Bank is considered a component unit of the County.

In May 2018, the Land Bank formed a single member New York limited liability corporation, ACLB Holdings, LLC (ACLB). ACLB was formed pursuant to the authority granted to Land Banks in Section 1607 of the New York State Not-For-Profit Law in order to mitigate potential risk and loss to the Land Bank related to certain properties which may be provided by the County or purchased. ACLB is considered to be a blended component unit of the Land Bank. ACLB acquired 55 parcels during the year-ended December 31, 2020.

Basis for Presentation

The basic financial statements of the Land Bank have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial principles.

Measurement Focus and Basis of Accounting

The Land Bank operates as a proprietary fund and utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflow of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

The Land Bank utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

Cash

Custodial credit risk related to cash deposits is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Land Bank's investment policy, all deposits of the Land Bank including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits.

The Land Bank had bank balances of \$4,513,125 at December 31, 2020 of which \$602,013 was insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2020, the remaining bank balance was collateralized with securities held in the Land Bank's name.

ALBANY COUNTY LAND BANK CORPORATION
(A Component Unit of the County of Albany, New York)

Notes to Basic Financial Statements

Prepaid Expenses

Prepaid expenses represent payments made by the Land Bank for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are reported in the statement of net position as an asset using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense is reported in the year the goods or services are consumed.

Property Held for Sale

The Land Bank primarily acquires its property held for sale from the County for the purpose of improving those properties and returning them to productive use on the tax rolls. These properties are recorded at one half the assessed value at the time of donation which management believes approximates acquisition cost. Depending on the condition of the property at the time of donation, certain capital costs may be required to improve that property and are added to the value of the property held for sale.

Property held for sale consists primarily of vacant, abandoned or tax foreclosed property donated to the Land Bank by Albany County. Property held for sale is valued at the lower of acquisition value or estimated market value. Market value is defined as estimated sales price based upon information available. Costs of property held for sale include acquisition value, renovation costs and other costs that enhance the property's market value.

Capital Assets, Net

Capital assets are reported at actual cost. Donated assets are reported at estimated acquisition cost at the time received. The Land Bank capitalizes furniture and equipment with cost of greater than \$1,000 and depreciates those assets on a straight-line basis generally over 5 years.

Net Position Classifications

In the financial statements, there are three possible classifications of net position:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt, if any, that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position is the net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions at December 31, 2020. The Land Bank did not have restricted net position as of December 31, 2020.

The unrestricted component of net position is net investment of capital assets and all other net position that does not meet the definition of restricted.

The Land Bank's policy is to first utilize available restricted, and then unrestricted resources in the conduct of its operations.

Classification of Revenue and Expense

Operating revenues are those that result from the provision of services related to the Land Bank's principal purposes, and are generally associated with exchange transactions. Nonoperating revenues result from activities that are not directly related to the Land Bank's principal purposes, but that exist in order to support them, and generally consist of nonexchange transactions. Other additions arise from nonexchange transactions which provide for the value of donated properties and resources for related capital improvements and are non-exchange transactions.

Grant Revenue – County of Albany

The Land Bank received a \$250,000 grant from the County for administrative costs for the period ended December 31, 2020.

ALBANY COUNTY LAND BANK CORPORATION
(A Component Unit of the County of Albany, New York)

Notes to Basic Financial Statements

Grant Revenue – State of New York

The Land Bank was awarded two grants from the New York State Office of the Attorney General for the period January 1, 2019 to June 30, 2021 totaling \$2,000,000 and received a grant amendment of \$425,000 during the fiscal year. The grants are to be used to make capital improvement to acquired properties, property maintenance and other operating expenses related to the acquired properties.

The grants are received on a quarterly basis based on the estimated needs for the upcoming quarter specifically related to the properties and includes adjustments for unspent funds from previous quarters.

Funds received in advance of disbursement are recognized as unearned grant revenue and disbursements exceeding amounts received are recognized as due from New York State.

Income Taxes

The Land Bank is a not-for-profit local development corporation under Article 16 of New York State not-for-profit corporation law and is exempt from federal income taxes and New York State taxes. Accordingly, no income tax provision has been made.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of depreciation using useful lives of assets and the fair value of donated property.

2. PROPERTY HELD FOR SALE

The Land Bank’s activity related to property held for sale during fiscal year ending December 31, 2020 is as follows:

<u>Balance at January 1, 2020</u>	<u>Donated Property Acquisitions</u>	<u>Purchased Property Acquisitions</u>	<u>Capital Improvements</u>	<u>Cost of Property Sales</u>	<u>Donated Property Revaluation</u>	<u>Balance at December 31, 2020</u>
\$ 7,215,316	1,883,535	-	116,978	(2,874,593)	(263,912)	\$ 6,077,324

The Land Bank acquired 55 parcels of property during the year, donated at acquisition value. The Land Bank sold 164 parcels of property in the fiscal year 2020. The 164 parcels of property were sold for total consideration of \$2,356,079 resulting in a loss on disposition of those properties of \$518,514.

3. CONCENTRATIONS

The Land Bank received 33% of its operating revenue from state and local government grants for the year ended December 31, 2020.

ALBANY COUNTY LAND BANK CORPORATION
(A Component Unit of the County of Albany, New York)

Notes to Basic Financial Statements

4. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Land Bank is subject to various lawsuits and claims. Management believes that the ultimate resolution of these matters will not have a significant effect on the Land Bank's financial position.

The Land Bank participates in grant programs. These programs could be subject to financial and compliance audits and may be conducted in accordance with grantor requirements on a periodic basis. The amounts, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the Land Bank believes, based upon its review of current activity, the amount of such disallowances, if any, will be immaterial.

The Land Bank entered into a lease agreement for office space in November of 2016. The original lease has been renewed three times. The current lease agreement is for the period December 1, 2020 - May 31, 2021 and provides for monthly payment of \$1,479. The lease agreement also provides for additional rent equal to the Land Bank's pro-rata share of the building's tax, operating and maintenance payments. Rental expense for the year ended December 31, 2020 was \$26,254.

5. REVENUE SHARING

For the year ended December 31, 2020, the Land Bank has recorded \$350,000 revenue sharing with Albany County calculated in accordance with the applicability criteria set forth in Albany County Resolution No. 453 of 2015 for real property transferred to the Albany County Land Bank Corporation from Albany County that was sold by the Albany County Land Bank Corporation between the period of January 1, 2020 through December 31, 2020. Final amount owed is subject to change and approval by the Albany County Legislature.

6. COVID-19 PANDEMIC

As of the date of this report, the United States and the area served by the Land Bank is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Land Bank and its future operations and financial position is not presently determinable.

7. PPP LOAN

In April 2020, the Land Bank entered into a promissory note payable (direct borrowing) to financial institution in the amount of \$99,900. The note was entered into by the Land Bank as part of the U.S. Small Business Administration's Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The note has a "covered period" which ends on the first of 24 weeks after disbursement or December 31, 2020. The note also has a "deferral period" which ends on the date that is 7 months after the loan term. The loan matures 2 years from the date of this Note and bears interest at 1% per year. The loan may be repaid at anytime without penalty.

The PPP provides for this borrowing, or a portion of the borrowing to be forgiven to the extent the Land Bank meets defined requirements related to expenditure of the funds and management of the Land Bank's personnel complement. Generally, the proceeds of the loan must be used to pay salaries, rent, utilities or mortgage interest in order to be forgivable. Through the date the financial statements were available to be issued, the Land Bank is unable to determine the amount of potential loan forgiveness. If no forgiveness is granted, the terms agreement requires the Land Bank to pay back the loan plus interest.

During the year ended December 31, 2020, the Land Bank did not make any payments or principal or interest on this loan.

Balance at January 1, 2020	Additions	Deletions	Balance at December 31, 2020	Due within one year
\$ -	99,900	-	\$ 99,900	-

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

March 24, 2021

To the Board of Directors of
Albany County Land Bank Corporation

We have audited, in accordance with the 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 financial statements of Albany County Land Bank Corporation (Land Bank), a component unit of the County of Albany, New York as of and for the year-ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements, and have issued our report thereon dated March 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation’s internal control over financial reporting (internal control) as a basis for designing 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 Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation’s internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Land Bank'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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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