Newburgh Community Land Bank

Financial Report

June 30, 2018 and 2017
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>1-2</td>
</tr>
<tr>
<td>Management’s Discussion and Analysis</td>
<td>3-5</td>
</tr>
<tr>
<td>Financial Statements</td>
<td></td>
</tr>
<tr>
<td>Statements of Net Position</td>
<td>6</td>
</tr>
<tr>
<td>Statements of Revenues, Expenses, and Changes in Net Position</td>
<td>7</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>8</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>9-13</td>
</tr>
<tr>
<td>Report on Internal Control Over Financial Reporting and on Compliance</td>
<td></td>
</tr>
<tr>
<td>and Other Matters Based on an Audit of Financial Statements Performed</td>
<td></td>
</tr>
<tr>
<td>in Accordance With Government Auditing Standards</td>
<td>14-15</td>
</tr>
<tr>
<td>Schedule of Findings and Responses</td>
<td>16</td>
</tr>
</tbody>
</table>
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 as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the entity’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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Newburgh Community Land Bank as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.
Emphasis of Matter

As discussed in Note 2 to the financial statements, the financial statements as of and for the year ended June 30, 2017 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matter

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 our report dated September 27, 2018, on our consideration of the Newburgh Community 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 Newburgh Community 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 Newburgh Community Land Bank's internal control over financial reporting and compliance.

Albany, New York
September 27, 2018

BST & CO. CPAS, LLP
Newburgh Community Land Bank
Management’s Discussion and Analysis
June 30, 2018 and 2017

Description

Financial management of the Newburgh Community Land Bank (NCLB or the Land Bank) 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, 2018. 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 report 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 2018 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, 2018 was the NCLB’s sixth year of operations. Income earned from grant agreements approximated $587,000 for the fiscal year ended June 30, 2018, representing a decrease of approximately $1,130,000 from 2017. The NCLB had a net position of approximately $956,000, of which approximately $186,000 is invested in capital assets. Approximately $770,000 of net position is available to the Land Bank to carry out its activities.

Mission and Accomplishments

The NCLB stimulates 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 received a $2 million grant to be incrementally disbursed through December 31, 2018, that will help 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 has also 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 operations and the acquisition and rehabilitation of property. The following is a summary of the NCLB’s financial statements showing the changes in its net position as of and for the years ended June 30, 2018 and 2017:
Newburgh Community Land Bank
Management’s Discussion and Analysis
June 30, 2018 and 2017

Economic Factors - Continued

Condensed Statements of Net Position

<table>
<thead>
<tr>
<th></th>
<th>June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$ 1,025,123</td>
<td>$ 810,820</td>
</tr>
<tr>
<td>Property held for redevelopment and resale</td>
<td>371,409</td>
<td>290,501</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>186,480</td>
<td>197,960</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 1,583,012</td>
<td>$ 1,299,281</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND NET POSITION** |       |
| Current liabilities | $ 626,585 | $ 233,622 |
| **NET POSITION** |       |
| Invested in capital assets | 186,480 | 197,960 |
| Unrestricted | 769,947 | 867,699 |
| **Total net position** | $ 956,427 | $ 1,065,659 |
| **Total liabilities and net position** | $ 1,583,012 | $ 1,299,281 |

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

<table>
<thead>
<tr>
<th></th>
<th>Years Ended June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant income</td>
<td>$ 587,128</td>
<td>$ 1,716,696</td>
</tr>
<tr>
<td>Net gains (losses) on sales of property held for development and resale</td>
<td>26,458</td>
<td>(761,644)</td>
</tr>
<tr>
<td>Other income</td>
<td>12,573</td>
<td>13,896</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>626,159</td>
<td>968,948</td>
</tr>
</tbody>
</table>

| **OPERATING EXPENSES** |       |
| Property stabilization, rehabilitation and other program costs | 239,859 | 624,774 |
| Payroll and payroll taxes | 275,646 | 251,096 |
| Professional fees | 69,925 | 90,769 |
| Insurance | 60,652 | 54,307 |
| Office and general | 35,202 | 31,405 |
| Other operating | 66,440 | 18,190 |
| Depreciation | 11,480 | 11,155 |
| Utilities | 3,021 | 8,010 |
| **Total operating expenses** | 762,225 | 1,089,706 |

| **OPERATING LOSS** | (136,066) | (120,758) |

| **NONOPERATING INCOME (EXPENSE)** |       |
| Rental income | 26,834 | 31,780 |
| Interest | - | (3,686) |

| **CHANGES IN NET POSITION** | $ (109,232) | $ (92,664) |
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
### Statements of Net Position

#### June 30,

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Restated)</td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 998,643</td>
<td>$ 756,018</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>21,868</td>
<td>25,799</td>
</tr>
<tr>
<td>Other receivables</td>
<td>250</td>
<td>16,752</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>4,362</td>
<td>12,251</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$1,025,123</td>
<td>$810,820</td>
</tr>
<tr>
<td><strong>NONCURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property held for development and resale</td>
<td>371,409</td>
<td>290,501</td>
</tr>
<tr>
<td>Capital assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-depreciable</td>
<td>1,252</td>
<td>1,252</td>
</tr>
<tr>
<td>Depreciable, net</td>
<td>185,228</td>
<td>196,708</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>$1,583,012</td>
<td>$1,299,281</td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET POSITION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 39,336</td>
<td>$ 93,531</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>9,927</td>
<td>7,960</td>
</tr>
<tr>
<td>Untaxed revenue</td>
<td>577,322</td>
<td>132,131</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$626,585</td>
<td>$233,622</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in capital assets</td>
<td>186,480</td>
<td>197,960</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>769,947</td>
<td>867,699</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$956,427</td>
<td>$1,065,659</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,583,012</td>
<td>$1,299,281</td>
</tr>
</tbody>
</table>

*See accompanying Notes to Financial Statements.*
## Newburgh Community Land Bank

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

#### Years Ended June 30, 2018 and 2017 (Restated)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant income</td>
<td>$587,128</td>
<td>$1,716,696</td>
</tr>
<tr>
<td>Net gains (losses) on sales of property held for development and resale</td>
<td>26,458</td>
<td>(761,644)</td>
</tr>
<tr>
<td>Other income</td>
<td>12,573</td>
<td>13,896</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>626,159</td>
<td>968,948</td>
</tr>
</tbody>
</table>

**OPERATING EXPENSES**

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property stabilization, rehabilitation, and other program costs</td>
<td>239,859</td>
<td>624,774</td>
</tr>
<tr>
<td>Payroll</td>
<td>255,344</td>
<td>231,078</td>
</tr>
<tr>
<td>Professional fees</td>
<td>69,925</td>
<td>90,769</td>
</tr>
<tr>
<td>Insurance</td>
<td>60,652</td>
<td>54,307</td>
</tr>
<tr>
<td>Office and general</td>
<td>35,202</td>
<td>31,405</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>20,302</td>
<td>20,018</td>
</tr>
<tr>
<td>Other operating</td>
<td>66,440</td>
<td>18,190</td>
</tr>
<tr>
<td>Depreciation</td>
<td>11,480</td>
<td>11,155</td>
</tr>
<tr>
<td>Utilities</td>
<td>3,021</td>
<td>8,010</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>762,225</td>
<td>1,089,706</td>
</tr>
</tbody>
</table>

**Operating loss**

<table>
<thead>
<tr>
<th></th>
<th>(136,066)</th>
<th>(120,758)</th>
</tr>
</thead>
</table>

**NONOPERATING INCOME (EXPENSE)**

<table>
<thead>
<tr>
<th>Income (Expense)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental income</td>
<td>26,834</td>
<td>31,780</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>(3,686)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>26,834</td>
<td>28,094</td>
</tr>
</tbody>
</table>

**CHANGES IN NET POSITION**

<table>
<thead>
<tr>
<th>Changes</th>
<th>(109,232)</th>
<th>(92,664)</th>
</tr>
</thead>
</table>

**NET POSITION, beginning of year**

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,065,659</td>
<td>$1,158,323</td>
</tr>
</tbody>
</table>

**NET POSITION, end of year, as restated**

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$956,427</td>
<td>$1,065,659</td>
</tr>
</tbody>
</table>

*See accompanying Notes to Financial Statements.*
Newburgh Community Land Bank

Statements of Cash Flows

<table>
<thead>
<tr>
<th>Years Ended June 30,</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Restated)</td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from grantors and sale proceeds</td>
<td>$1,191,420</td>
<td>$2,485,858</td>
</tr>
<tr>
<td>Payments to vendors for goods and services</td>
<td>(687,050)</td>
<td>(1,817,414)</td>
</tr>
<tr>
<td>Payments to employees for services</td>
<td>(288,579)</td>
<td>(264,567)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$215,791</td>
<td>$403,877</td>
</tr>
<tr>
<td>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental receipts</td>
<td>26,834</td>
<td>31,780</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of capital assets</td>
<td>-</td>
<td>(2,342)</td>
</tr>
<tr>
<td>Repayments of borrowings</td>
<td>-</td>
<td>(75,973)</td>
</tr>
<tr>
<td>Payments for interest</td>
<td>-</td>
<td>(3,686)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>(82,001)</td>
</tr>
<tr>
<td>Net increase in cash</td>
<td>242,625</td>
<td>353,656</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH, beginning of year</th>
<th>756,018</th>
<th>402,362</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH, end of year</td>
<td>$998,643</td>
<td>$756,018</td>
</tr>
</tbody>
</table>

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>$136,066</td>
<td>$120,758</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments to reconcile operating loss to net cash provided (used) by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>11,480</td>
<td>11,155</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>3,931</td>
<td>125,422</td>
</tr>
<tr>
<td>Other receivables</td>
<td>16,502</td>
<td>16,752</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>7,889</td>
<td>(10,753)</td>
</tr>
<tr>
<td>Property held for development and resale</td>
<td>(80,908)</td>
<td>475,768</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(54,195)</td>
<td>(187,202)</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>1,967</td>
<td>(2,084)</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>445,191</td>
<td>132,131</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>(3,050)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$215,791</td>
<td>$403,877</td>
</tr>
</tbody>
</table>

See accompanying Notes to Financial Statements.
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 and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. When there are no such borrowings, this caption is “Investment in capital assets.”

- **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 and disclosure of contingent 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. Cash

The NCLB’s investment policies are governed by New York State statutes. NCLB monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within New York State. 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.
d. 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.

e. 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 either June 30, 2018 or 2017.

f. Property Held for Development and Resale

Property held for development and resale includes various real estate parcels in the City. Such properties are typically acquired by the NCLB for a nominal fee. Expenditures for the acquisition, renewal, betterment, and stabilization of the properties are initially capitalized within the cost of each parcel. The carrying value of the individual parcels are evaluated on a periodic basis and adjusted to the lower of cost or net estimated realizable value through property stabilization and rehabilitation costs.

g. 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, 2018.

h. Revenue and Expense 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.
Note 1 - Organization and Summary of Significant Accounting Policies - Continued

h. Revenue and Expense Recognition - Continued

The NCLB has been awarded various grants to promote community revitalization efforts and execute projects. 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 principally to cash received by the NCLB pursuant to agreements to acquire properties at nominal or no cost.

i. Tax Status

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

The NCLB files 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, 2018.

j. Subsequent Events

The NCLB has evaluated subsequent events for potential recognition or disclosure through September 27, 2018, the date the financial statements were available to be issued.

Note 2 - Prior Period Adjustment

During fiscal year ended June 30, 2017, the NCLB recognized $117,131 in grant income that was not earned until fiscal year ended June 30, 2018. This caused an overstatement of operating revenues, an understatement of unearned revenue, and an overstatement of net position by that amount as of and for the year ended June 30, 2017. These balances have been restated in these financial statements for the year ended June 30, 2017.

Note 3 - 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:

<table>
<thead>
<tr>
<th></th>
<th>June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$ 290,501</td>
</tr>
<tr>
<td>Acquisitions and costs capitalized</td>
<td>243,891</td>
</tr>
<tr>
<td>Dispositions and costs expensed</td>
<td>(162,983)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ 371,409</td>
</tr>
</tbody>
</table>
Newburgh Community Land Bank
Notes to Financial Statements
June 30, 2018 and 2017

Note 3 - Property Held for Development and Resale - Continued

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

<table>
<thead>
<tr>
<th></th>
<th>Years ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Gross proceeds</td>
<td>$126,095</td>
</tr>
<tr>
<td>Carrying value</td>
<td>99,637</td>
</tr>
<tr>
<td>Net gains (losses) on sales of property held for development and resale</td>
<td>$26,458</td>
</tr>
</tbody>
</table>

Note 4 - Capital Assets

A summary of changes in capital assets is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance at July 1,</th>
<th>Balance at June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>Additions</td>
</tr>
<tr>
<td>Depreciable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building</td>
<td>$216,597</td>
<td>-</td>
</tr>
<tr>
<td>Equipment and furniture</td>
<td>3,480</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>220,077</td>
<td>-</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(23,369)</td>
<td>(11,480)</td>
</tr>
<tr>
<td></td>
<td>196,708</td>
<td>(11,480)</td>
</tr>
<tr>
<td>Non-depreciable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>1,252</td>
<td>-</td>
</tr>
<tr>
<td>Total capital assets, net</td>
<td>$197,960</td>
<td>(11,480)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Balance at July 1,</th>
<th>Balance at June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>Additions</td>
</tr>
<tr>
<td>Depreciable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building</td>
<td>$216,597</td>
<td>-</td>
</tr>
<tr>
<td>Equipment and furniture</td>
<td>1,138</td>
<td>2,342</td>
</tr>
<tr>
<td></td>
<td>217,735</td>
<td>2,342</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(12,214)</td>
<td>(11,155)</td>
</tr>
<tr>
<td></td>
<td>205,521</td>
<td>(8,813)</td>
</tr>
<tr>
<td>Non-depreciable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>1,252</td>
<td>-</td>
</tr>
<tr>
<td>Total capital assets, net</td>
<td>$206,773</td>
<td>(8,813)</td>
</tr>
</tbody>
</table>
Note 5 - Transactions With the City of Newburgh

During the year ended June 30, 2018, the City transferred several properties to the NCLB for nominal amounts.

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. Under the grant, the NCLB earned approximately $26,000 and $153,000 during the years ended June 30, 2018 and 2017, respectively.

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.
Independent Auditor’s Report

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 financial statements of the Newburgh Community Land Bank (NCLB) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the NCLB’s basic financial statements, and have issued our report thereon dated September 27, 2018. Our report includes an emphasis of matter paragraph indicating that, as discussed in Note 2 to the financial statements, the financial statements as of June 30, 2017 have been restated to correct a misstatement. In summary, Note 2 explains that NCLB recognized $117,131 of revenue during fiscal year ended June 30, 2017 that was not earned until fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a material weakness.
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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Newburg Community Land Bank’s Response to Findings

The NCLB’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The NCLB’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

BST & Co. CPAs, LLP

Albany, New York
September 27, 2018
Newburgh Community Land Bank

Schedule of Findings and Responses
Year Ended June 30, 2018

Section I - Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None
- Noncompliance material to financial statements noted? Yes X No

Section II - Financial Statement Findings

Current Year Findings

2018-001 Grant Revenue

Criteria: Revenue from grant agreements entered into by the NCLB should be recorded based upon the underlying terms of the grant agreements.

Condition: During the year ended June 30, 2017, the NCLB entered into reimbursement and performance based grant agreements. Revenue earned from the agreements was not recorded in accordance with the terms of the applicable agreements.

Cause: Individual grant agreements were not analyzed by the NCLB during the year to provide for the proper recording of revenue earned under the grants.

Effect or potential effect: A prior period adjustment was required to be made to properly accrue, or defer, revenues under certain grant agreements.

Recommendation: Individual grants agreements should be analyzed on a periodic basis. Revenues during the reporting period should be recorded based upon the applicable terms of the respective agreements (reimbursement or performance based).

Views of responsible officials and planned corrective actions: The NCLB will review individual agreements on a periodic reporting basis to accurately determine revenues earned pursuant to its grants.

Status: During fiscal year ended June 30, 2018, management evaluated grant agreements and properly recorded grant revenues, and related accounts receivable and unearned revenue. Errors noted during testing were due to issues discovered during the fiscal year 2018 audit but related to improper recording of transactions related to the fiscal year ended June 30, 2017. The finding has been resolved as of June 30, 2018.

Section III - Compliance Findings

None.