



REPORT ON FINANCIAL STATEMENTS

DECEMBER 31, 2015



REPORT ON FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chautauqua County Land Bank Corporation

We have audited the accompanying financial statements of *Chautauqua County Land Bank Corporation* (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 *Chautauqua County Land Bank Corporation* as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The Organization's 2014 financial statements were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated March 11, 2015. In our opinion, the summarized comparative information presented as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bysiek CPA, PLLC

BYSIEK CPA, PLLC
APRIL 13, 2016
OLEAN, NY 14760

CHAUTAUQUA COUNTY LAND BANK CORPORATION
STATEMENTS OF NET ASSETS

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<i>As of December 31,</i>	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash	\$ 431,768	\$ 138,827
Accounts receivable	20,114	-
Security deposits and prepaids	2,014	5,500
Total current assets	<u>453,897</u>	<u>144,327</u>
Property held for resale	216,516	16,781
Total assets	<u>\$ 670,413</u>	<u>\$ 161,108</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 57,272	\$ 2,751
Performance bond deposits	50,000	-
Deferred revenue	270,424	-
Total current liabilities	<u>377,697</u>	<u>2,751</u>
Net assets		
Unrestricted	292,716	158,357
Total liabilities and net assets	<u>\$ 670,413</u>	<u>\$ 161,108</u>

See independent auditor's report and accompanying notes to the financial statements

CHAUTAUQUA COUNTY LAND BANK CORPORATION
STATEMENTS OF ACTIVITIES

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For the Year Ended December 31,

	<u>2015</u>	<u>2014</u>
Revenue		
Grants	\$ 593,389	\$ 280,110
Property sales	186,501	64,680
Contributions	15,000	-
Interest income	105	100
Total revenue	<u>794,994</u>	<u>344,890</u>
Program expenses		
Salaries and wages	91,600	48,422
Payroll taxes and employee benefits	15,572	9,102
Cost of real estate sold	515,398	150,187
Professional fees	19,360	28,325
Conferences and meetings	3,367	404
Office expenses	9,359	7,853
Advertising	2,492	-
Miscellaneous	3,487	3,091
Total program expenses	<u>660,635</u>	<u>247,384</u>
Change in net assets	134,360	97,506
Net assets, beginning of year	158,357	378,472
Prior period adjustment (Note 4)	-	(317,621)
Net assets, end of year	<u><u>\$ 292,717</u></u>	<u><u>\$ 158,357</u></u>

See independent auditor's report and accompanying notes to the financial statements.

CHAUTAUQUA COUNTY LAND BANK CORPORATION
STATEMENTS OF CASH FLOWS

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<i>For the Year Ended December 31,</i>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 134,360	\$ 97,506
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Changes in:		
Change in operating assets and liabilities:		
Accounts receivable	(20,114)	-
Property held for resale	(199,735)	-
Security deposits and prepaids	3,486	(5,500)
Performance bonds payable	50,000	-
Deferred revenue	270,424	-
Accounts payable and accrued expenses	-	(1,200)
Accrued liabilities	54,521	6,832
Net cash provided by operating activities	<u>292,942</u>	<u>97,638</u>
Net change in cash	292,942	97,638
Cash at beginning of year	138,827	41,189
Cash at end of year	<u>\$ 431,769</u>	<u>\$ 138,827</u>

See independent auditor's report and accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Nature of Activities

The New York State Attorney General announced an initiative aimed at helping communities recover from the devastating effects of the foreclosure crisis. As a part of the Attorney General's Community Revitalization Initiative (CRI), the **Chautauqua County Land Bank Corporation (CCLBC)** was created in May of 2012 by the Chautauqua County Board of Legislators under the provisions of the 1973 Laws of New York State. The Organization is a nonprofit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification Topic 958, *Financial Statements of Not-for-Profit Organizations*. Under Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles sometimes requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. Capitalization and Depreciation

Improvements and equipment purchases are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is recorded on capitalized assets using the straight-line method.

G. Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with grant compliance requirements. Amounts unspent are recorded in the statement of financial position as deferred revenue.

H. Donated Services

During the year ended December 31, 2015, the value of contributed services meeting the requirements for recognition in the financial statements was not material and thus has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

I. Income Taxes

The Organization is exempt from income taxes under Section 501(c)3 of the United States Internal Revenue Code. Therefore, no provision for income taxes is reflected in the financial statements. Contributions are deductible under section 170 of the code. Also the organization qualifies to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the code. The Organization is also exempt from New York State income tax under Article 7(a) of the New York State Executive Law. Tax returns remaining open for examination by governing authorities include those for the years 2012 and following.

NOTE 2: PROPERTY HELD FOR RESALE

Properties held for resale are recorded by the Organization at cost, which totaled \$217,000 and \$102,000 as of 2015 and 2014. All property held by the Organization is considered real property held for resale and therefore no depreciation was recorded during the years ended December 31, 2015 and 2014. Property totaling \$186,500 and \$109,000 was sold to third party individuals, during 2015 and 2014, respectively.

NOTE 3: CONTINGENCIES

The Organization has received grants which are subject to audit by agencies of the state. Such audits may result in disallowances and a request for a return of funds. Based on no known significant areas of non-compliance, the Organization believes disallowances, if any, will not be material.

NOTE 4: PRIOR PERIOD ADJUSTMENT

For the year ending December 31, 2015, the Organization changed its method of accounting for property held for resale. In prior years, properties held for sale were recorded by the Organization at their estimated fair market value. The new method accounts for the properties held for sale at cost, including all amounts incurred for demolition. This change has been adopted to better match expenses with related revenues in the same accounting period. Consistent with Statement of Financial Accounting Standards Codification Topic 250, *Accounting Changes and Error Corrections*, the change has been applied retrospectively, and reflected in beginning net assets for the year ending December 31, 2014. The cumulative effect of this change results in decrease of approximately \$318,000 to net assets at the beginning of the year. Other accounts affected include property held for sale and accrued expenses. The recognition of property sales in 2014 has also been adjusted to reflected this change.

NOTE 5: SUBSEQUENT EVENTS

The Organization has evaluated events and transactions through April 13, 2016, which is the date these financial statements and related footnotes were available for release.



**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**

To the Board of Directors
Chautauqua County Land Bank Corporation (CCLBC)

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 **CCLBC** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **CCLBC** 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 **CCLBC** internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that may have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **CCLBC** 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*.

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

Bysiek CPA, PLLC

**BYSIEK CPA, PLLC
APRIL 13, 2016
OLEAN, NY 14760**

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of *Chautauqua County Land Bank Corporation (CCLBC)*.
2. No significant deficiencies relating to the audit of the financial statements were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Chautauqua County Land Bank Corporation were disclosed during the audit as reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*.