



REPORT ON FINANCIAL STATEMENTS

DECEMBER 31, 2016



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, 2016, 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, 2016, 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

We have previously audited *Chautauqua County Land Bank Corporation's* 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bysiek CPA, PLLC

BYSIEK CPA, PLLC
MARCH 1, 2017
OLEAN, NY 14760

CHAUTAUQUA COUNTY LAND BANK CORPORATION
STATEMENTS OF FINANCIAL POSITION

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| <i>As of December 31,</i> | <u>2016</u> | <u>2015</u> |
|---|--------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 453,124 | \$ 431,768 |
| Accounts receivable | - | 20,114 |
| Security deposits and prepaids | 309 | 2,014 |
| Total current assets | <u>453,433</u> | <u>453,897</u> |
| Properties held for sale | 374,191 | 216,516 |
| Total assets | <u>\$ 827,624</u> | <u>\$ 670,413</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 61,439 | \$ 57,272 |
| Performance bond deposits | 57,500 | 50,000 |
| Deferred revenue | 43,046 | 270,424 |
| Total current liabilities | <u>161,985</u> | <u>377,697</u> |
| Net assets | | |
| Unrestricted | 665,639 | 292,716 |
| Total liabilities and net assets | <u>\$ 827,624</u> | <u>\$ 670,413</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>2016</u> | <u>2015</u> |
|-------------------------------------|--------------------------|--------------------------|
| Revenue | | |
| Grants | \$ 1,536,790 | \$ 593,389 |
| Property sales | 128,800 | 186,501 |
| Contributions | - | 15,000 |
| Interest income | 275 | 105 |
| Total revenue | <u>1,665,865</u> | <u>794,994</u> |
| Expenses | | |
| Salaries and wages | 99,875 | 91,600 |
| Payroll taxes and employee benefits | 19,938 | 15,572 |
| Cost of real estate sold | 1,100,342 | 515,398 |
| Professional fees | 33,913 | 19,360 |
| Conferences and meetings | 6,017 | 3,367 |
| Office expenses | 10,971 | 9,359 |
| Advertising | 12,717 | 2,492 |
| Miscellaneous | 9,169 | 3,487 |
| Total expenses | <u>1,292,942</u> | <u>660,635</u> |
| Change in net assets | 372,923 | 134,360 |
| Net assets, beginning of year | 292,717 | 158,357 |
| Net assets, end of year | <u>\$ 665,640</u> | <u>\$ 292,717</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>2016</u> | <u>2015</u> |
|---|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 372,923 | \$ 134,360 |
| Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities: | | |
| Changes in: | | |
| Accounts receivable | 20,114 | (20,114) |
| Property held for resale | (157,675) | (199,735) |
| Security deposits and prepaids | 1,705 | 3,486 |
| Performance bonds payable | 7,500 | 50,000 |
| Deferred revenue | (227,379) | 270,424 |
| Accounts payable and accrued liabilities | 4,167 | 54,521 |
| Net cash provided by operating activities | <u>21,356</u> | <u>292,942</u> |
| Net change in cash | 21,356 | 292,942 |
| Cash at beginning of year | 431,769 | 138,827 |
| Cash at end of year | <u>\$ 453,124</u> | <u>\$ 431,769</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. Inventory (Properties Held for Resale)

The fair market value of real estate held as inventory by the Corporation is not generally reflected in the Corporation's financial statements until it is sold. Generally Accepted Accounting Principles require inventory be booked at cost or fair market value, whichever is less. Costs, including those related to the acquisition, demolition and rehabilitation of properties held for resale are capitalized. These costs are reclassified as expenses once a property has been sold.

G. 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.

H. 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.

I. Donated Services

During the year ended December 31, 2016, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT)

J. 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 2013 and following.

NOTE 2: PROPERTY HELD FOR RESALE

Properties held for resale are recorded by the Organization at cost, which totaled approximately \$374,000 and \$217,000 as of 2016 and 2015, respectively. 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, 2016 and 2015. Properties totaling \$128,800 and \$186,500 were sold to third party individuals, during 2016 and 2015, respectively.

NOTE 3: OPERATING LEASES

The Organization leases an office in Dunkirk, NY that was initiated in June of 2016. The lease agreement calls for monthly payments of \$475, and currently operates on a month-to-month basis. Payments on this lease totaled \$2,975 for the year ending December 31, 2016.

NOTE 4: RETIREMENT PLAN

Chautauqua County Land Bank Corporation set up a Simple IRA during 2016 for the executive director, matching up to 3 percent of the participant's compensation each pay period. For the year ended December 31, 2016, the Organization made contributions to the plan totaling \$1,950.

NOTE 5: CONTINGENCIES

Chautauqua County Land Bank Corporation 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 6: SUBSEQUENT EVENTS

The Organization has evaluated events and transactions through March 1, 2017, 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, 2016, 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 March 1, 2017.

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
MARCH 1, 2017
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*.