



REPORT ON FINANCIAL STATEMENTS

DECEMBER 31, 2019



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, 2019, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 obtained is sufficient and appropriate to provide a basis for our 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, 2019, 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** 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated January 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bysiek CPA, PLLC

BYSIEK CPA, PLLC
JANUARY 22, 2020
OLEAN, NY 14760

CHAUTAUQUA COUNTY LAND BANK CORPORATION
STATEMENTS OF FINANCIAL POSITION

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<i>As of December 31,</i>	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 367,478	\$ 757,353
Investments	500,000	-
Accounts receivable	-	54,601
Prepaid expenses	13,270	-
Total current assets	<u>880,748</u>	<u>811,954</u>
Other assets		
Properties held for sale	303,541	414,026
Total assets	<u>\$ 1,184,290</u>	<u>\$ 1,225,981</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,328	\$ 174
Performance bond deposits	148,100	144,650
Deferred revenue	43,525	334
Total current liabilities	<u>195,953</u>	<u>145,159</u>
Net assets		
Without donor restrictions	988,337	1,080,822
Total liabilities and net assets	<u>\$ 1,184,290</u>	<u>\$ 1,225,981</u>

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

<i>For the Year Ended December 31,</i>	<u>2019</u>	<u>2018</u>
Revenue		
Grants	\$ 849,097	\$ 1,192,126
Property sales	183,820	258,192
Other income	32,251	10,000
Total revenue	<u>1,065,168</u>	<u>1,460,318</u>
Expenses		
Program services	1,009,480	1,294,612
Management and general	148,173	33,075
Total expenses	<u>1,157,653</u>	<u>1,327,687</u>
Change in net assets	(92,485)	132,632
Net assets, beginning of year	1,080,822	948,190
Net assets, end of year	<u>\$ 988,337</u>	<u>\$ 1,080,822</u>

CHAUTAUQUA COUNTY LAND BANK CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

	2019			2018
	Program services	Management and General	Total	Total
Cost of real estate sold	\$ 908,557	\$ -	\$ 908,557	\$ 1,107,190
Salaries and wages	74,977	75,503	150,480	128,567
Payroll taxes	6,767	5,776	12,543	10,415
Employee benefits	6,983	4,154	11,137	12,135
Professional fees	212	37,382	37,594	37,483
Conferences and meetings	4,400	1,870	6,270	9,311
Office expenses	2,273	2,155	4,428	4,463
Advertising	750	1,663	2,413	7,132
Telephone and internet	1,763	1,445	3,208	2,713
Information technology	-	14,400	14,400	-
Miscellaneous	2,797	3,825	6,622	8,276
	<u>\$ 1,009,480</u>	<u>\$ 148,173</u>	<u>\$ 1,157,653</u>	<u>\$ 1,327,687</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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For the Year Ended December 31,

Cash flows from operating activities:

	<u>2019</u>	<u>2018</u>
Change in net assets	\$ (92,485)	\$ 132,632
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Changes in:		
Accounts receivable	54,601	(54,601)
Property held for resale	110,485	29,297
Prepaid expenses	(13,270)	-
Performance bonds payable	3,450	71,500
Deferred revenue	43,191	(152,743)
Accounts payable and accrued liabilities	4,153	(12,297)
Net cash provided by operating activities	<u>110,125</u>	<u>13,788</u>

Cash flows from investing activities:

Purchase of investments	<u>(500,000)</u>	-
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Net change in cash

(389,875) 13,788

Cash at beginning of year

757,353 743,566

Cash at end of year

\$ 367,478 \$ 757,353

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 two classes of net assets: without donor restrictions and with donor restrictions.

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

CCLBC's grant awards constitute non-exchange transactions, requiring application of the contribution accounting model, according to the provisions of ASU 2018-08. We have determined that there are no conditions that contain a barrier; as such, grant revenues are recognized as unconditional contributions (although still labeled as grants in the financial statements). We have established that the entity's grants are not restricted by time or purpose (as defined by ASC 958-605-45-4), allowing the entity to record revenues as increases in net assets without donor restrictions when earned. Amounts unspent at the end of the year are presented as deferred revenue, which amounted to approximately \$43,500 as of December 31, 2019.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT)

I. Contingencies

CCLBC 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.

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 2015 and following.

K. Date of Management's Review

The Organization has evaluated events and transactions through January 22, 2020, which is the date these financial statements and related footnotes were available for release.

NOTE 2: PROPERTY HELD FOR RESALE

Properties held for resale are recorded by the Organization at cost, which totaled approximately \$303,000 and \$414,000 as of 2019 and 2018, respectively. All property held by the Organization is considered property held for resale and therefore no depreciation was recorded during the years ended December 31, 2019 and 2018. Properties costing approximately \$909,000 and \$1,107,000 were sold to third party individuals during 2019 and 2018, respectively.

NOTE 3: OPERATING LEASES

The Organization leases an office in Dunkirk, NY that was initiated in June of 2018. The lease agreement calls for monthly payments of \$425, and currently operates on a month-to-month basis. Payments on this lease totaled \$5,100 for the year ending December 31, 2019.

NOTE 4: RETIREMENT PLAN

CCLBC set up a Simple IRA in 2014 for the executive director, matching up to 3.0% of the participant's compensation each pay period. For the year ended December 31, 2019, the Organization made contributions to the plan totaling approximately \$2,500.

NOTE 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS

According to FASB ASC Topic 820, US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority and consist of significant unobservable inputs.

CCLBC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments which consists of Level 1 inputs for all securities. As of December 31, 2019, the Organization owned a \$500,000 certificate of deposit at M&T Bank. The CD bears interest at an annual rate of 1.25% and is set to mature on February 27, 2021. The fair market value approximates the cost basis of the investment.

NOTE 6: LIQUIDITY MANAGEMENT

The Organization's financial assets available within one year of the financial statement date for general expenditure are as follows:

As of December 31,	2019	2018
Cash	\$ 367,787	\$ 757,353
Investments	500,000	-
Accounts receivable	-	54,601

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.



**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, 2019, 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 January 22, 2020.

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
JANUARY 22, 2020
OLEAN, NY 14760**

Section I – 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*.

Section II – Audit Findings

A. Internal Control Over Financing Reporting

There were no findings related to internal control over financial reporting for the year ending December 31, 2019.

B. Compliance and Other Matters

There were no compliance findings noted for the year ending December 31, 2019.

Section III – Summary Schedule of Prior Audit Findings

A. Internal Control Over Financing Reporting

There were no findings related to internal control over financial reporting for the year ending December 31, 2018.

B. Compliance and Other Matters

There were no compliance findings noted for the year ending December 31, 2018.