

Nassau County Land Bank Corporation

(A Component Unit of the County of Nassau, New York)

Financial Report
December 31, 2018

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Nassau County Land Bank Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Nassau County Land Bank Corporation (the Corporation), a component unit of the County of Nassau, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation'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* as 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 Corporation as of December 31, 2018, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 4 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 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 the audit of the basic financial statements. We do not express an opinion on 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 May 29, 2019, on our consideration of the Corporation'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 Corporation'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 Corporation's internal control over financial reporting and compliance.

RSM US LLP

New York, New York
May 29, 2019

**Nassau County Land Bank Corporation
(A Component Unit of the County of Nassau, New York)**

**Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2018**

The following is a discussion and analysis of the Corporation's financial performance for the fiscal year ended December 31, 2018. The section is a summary of the Corporation's financial activities based on currently known facts, decisions, or conditions. This section is only an introduction and should be read in conjunction with the Corporation's financial statements, which immediately follow this section.

Financial Highlights

2018

- The Corporation's net position increased to \$58,700 for the year ended December 31, 2018.
- Property held for sale was valued at \$4,747 in 2018. It should be noted that the property is recorded at the lower of cost or net realizable value.
- The Corporation had \$222,878 in cash at the end of fiscal year 2018. The majority of this cash is from grant and contribution funds received by the Corporation.

2017

- The Corporation's net position increased to \$56,000 in its initial year of operations.
- Property held for sale was valued at \$2,047 in 2017. It should be noted that the property is recorded at the lower of cost or net realizable value.
- The Corporation had \$347,282 in cash at the end of fiscal year 2017. The majority of this cash is from grant and contribution funds received by the Corporation.

Overview of Financial Statements

The basic financial statements include the statement of net position, statement of revenues, expenses and change in net position, statement of cash flows, and notes to the financial statements.

The first of these statements is the statement of net position. This is the statement of financial position presenting information that includes all of the Corporation's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation as a whole is improving or deteriorating. Evaluation of the overall economic health of the Corporation must include other nonfinancial factors such as the economic picture of the County and the State, in addition to the financial information provided in this report.

The second statement is the statement of revenues, expenses and changes in net position, which reports how the Corporation's net position changed during the current fiscal year. Revenues and expenses are included when earned or incurred, regardless of when cash is received or paid.

The third statement is the statement of cash flows, which shows the sources and uses of cash.

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

**Nassau County Land Bank Corporation
(A Component Unit of the County of Nassau, New York)**

**Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2018**

Below is a summary of the statements of net position and the statements of revenues, expenses and changes in net position for the years ended December 31, 2018 and 2017:

Summary of Net Position

	2018	2017	\$ Change	% Change
Current assets	\$ 326,893	\$ 424,890	\$ (97,997)	-23%
Total assets	326,893	424,890	(97,997)	-23%
Current liabilities	268,193	368,980	(100,787)	-27%
Net position:				
Restricted	53,953	53,953	-	0%
Unrestricted	4,747	2,047	2,700	132%
	\$ 58,700	\$ 56,000	\$ 2,700	5%

Summary of Changes in Net Position

	2018	2017	\$ Change	% Change
Operating expenses	\$ 125,991	\$ 9,128	\$ 116,863	1280%
Operating loss	(125,991)	(9,128)	(116,863)	1280%
Nonoperating revenues:				
Grants	128,691	9,128	119,563	1310%
Contributions	-	56,000	(56,000)	-100%
Total nonoperating revenues	128,691	65,128	63,563	98%
Change in net position	2,700	56,000	(53,300)	-95%
Net position:				
Beginning of year	56,000	-	56,000	
End of year	\$ 58,700	\$ 56,000	\$ 2,700	

Economic Factors

The Corporation will continue to look for funding opportunities to further its mission of promoting local development. Each year, the Corporation will evaluate opportunities for investment of its resources in furthering this mission.

Contacting Administration

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Corporation's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact the Nassau County Land Bank Corporation's Executive Director at One West Street, Mineola, NY 11501.

Nassau County Land Bank Corporation
(A Component Unit of the County of Nassau, New York)

Statement of Net Position
December 31, 2018

Assets

Unrestricted cash	\$	222,878
Due from Nassau County		75,025
Prepaid expenses		1,843
Vendor deposits		22,400
Property held for sale		4,747
Total assets		<u>326,893</u>

Liabilities

Current liabilities:

Accounts payable and accrued liabilities		606
Due to Nassau County		27,298
Unearned grant revenue		240,289
Total current liabilities		<u>268,193</u>

Net Position

Restricted		53,953
Unrestricted - property held for resale		4,747
Total net position	\$	<u>58,700</u>

See notes to financial statements.

Nassau County Land Bank Corporation
(A Component Unit of the County of Nassau, New York)

Statement of Revenue, Expenses and Change in Net Position
Year Ended December 31, 2018

Operating expenses:	
General and administrative	\$ 125,991
Total operating expenses	<u>125,991</u>
Operating loss	<u>(125,991)</u>
Nonoperating revenues:	
Grant revenue	128,691
Total nonoperating revenues	<u>128,691</u>
Change in net position	2,700
Net position:	
Beginning of year	<u>56,000</u>
End of year	<u><u>\$ 58,700</u></u>

See notes to financial statements.

Nassau County Land Bank Corporation
(A Component Unit of the County of Nassau, New York)

Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:	
Payments to vendors for goods and services	\$ (121,704)
Net cash flows used in operating activities	<u>(121,704)</u>
Cash flows from non-capital and related financing activities:	
Payments for improvements to property held for sale	<u>(2,700)</u>
Net cash flows used in non-capital and related financing activities	<u>(2,700)</u>
Net change in cash	(124,404)
Cash:	
Beginning of year	<u>347,282</u>
End of year	<u><u>\$ 222,878</u></u>
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (125,991)
Change in assets and liabilities:	
Prepaid expenses	(1,217)
Vendor deposits	(22,400)
Accounts payable and accrued liabilities	606
Due to Nassau County	<u>27,298</u>
Net cash flows used in operating activities	<u><u>\$ (121,704)</u></u>

See notes to financial statements.

**Nassau County Land Bank Corporation
(A Component Unit of the County of Nassau, New York)**

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Nature of organization: Nassau County Land Bank Corporation (the Corporation) was formed to address the still lingering effects of the foreclosure crisis which has created pockets of blight in neighborhoods and communities in the County of Nassau, New York (the County). The Corporation is a not-for-profit corporation and a New York State public Authority, organized pursuant to the New York State Land Bank Act (Article 16 of the Not-for-Profit Corporation Law). The Corporation was organized on June 20, 2016. The Corporation was authorized by the County, its sponsoring government, by Ordinance 87-2015, enacted by the Nassau County Legislature by unanimous affirmative vote on July 13, 2015 and approved on July 14, 2015 by the Nassau County Executive. The Corporation's Board of Directors is comprised of individuals appointed by the County. The Corporation is a component unit of the County.

Measurement focus, basis of accounting, and financial statement presentation: The Corporation is reported as a special purpose government engaged in only business type activities. Accordingly, its financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with U.S. generally accepted accounting principles (U.S. GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 Corporation's investment policy, all deposits of the Corporation 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 Corporation had a bank balance, consisting solely of demand deposits, of \$222,878 at December 31, 2018, which is entirely insured by the Federal Deposit Insurance Corporation (FDIC).

Due from Nassau County: At December 31, 2018, the Corporation has a receivable from the County for grant proceeds received on behalf of the Corporation.

Prepaid expenses: Prepaid expenses represent payments made by the Corporation for which benefits extend beyond year-end. 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: During the year ended December 31, 2018, the Corporation acquired the title of a distressed property within Nassau County. The acquisition costs were donated to the Corporation in the amount of \$2,047. The Corporation intends to make improvements to the property and return it to productive use on the County tax rolls. The property is recorded at the lower of cost or net realizable value. During the year ended December 31, 2018, the Corporation incurred additional expenses related to this property of \$2,700. At December 31, 2019, the property is valued at \$4,747.

**Nassau County Land Bank Corporation
(A Component Unit of the County of Nassau, New York)**

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

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

- The Corporation did not maintain any net investment in capital assets at December 31, 2018.
- The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or the liability will be liquidated with the restricted assets reported.
- The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment of capital assets or the restricted component of net position.

The Corporation's policy is to first utilize 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 Corporation's principal purposes, and are generally associated with exchange transactions. Nonoperating revenues result from activities that generally consist of nonexchange transactions.

Revenue recognition: Per GASB Statement No. 33, eligibility requirements may be stipulated by the provider and comprise one or more of the following:

- a. Required characteristics of recipients - the recipient has the characteristics specified by the provider.
- b. Time requirements - time requirements specified by the provider have been met. For example, the time period when the resources are required to be used has begun.
- c. Reimbursements - the provider offers resources on a reimbursement basis and the recipient has incurred allowable costs.
- d. Contingencies - the provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.

Purpose restrictions do not affect when a nonexchange transaction is recognized. Resources received with purpose restrictions are recognized as revenue and reported in restricted net position balance by the Corporation until the resources are used for the specified purpose.

Unearned grant revenue: Resources collected prior to meeting revenue recognition requirements are recorded as unearned revenue.

Income taxes: The Corporation is a not-for-profit 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.

**Nassau County Land Bank Corporation
(A Component Unit of the County of Nassau, New York)**

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: The Corporation evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements were available for issuance, which was May 29, 2019 for these financial statements.

Note 2. Property Held for Sale

The Corporation's activity related to property held for sale during fiscal year ending December 31, 2018 is as follows:

Fiscal Year	Balance at Beginning of Year	Donated Property Acquisitions	Purchased Property Acquisitions	Property Improvements	Property Sales	Balance at End of Year
2018	\$ 2,047	\$ -	\$ -	\$ 2,700	\$ -	\$ 4,747

The Corporation acquired one parcel of property in fiscal year 2017.

In February 2019, the Corporation received a donation of eight properties.

Note 3. Restricted Net Position

The Corporation has \$53,953 in restricted net position. This balance is restricted to use on rehabilitation, demolition, preservation or selling of the property acquired.

Note 4. Revenue Concentrations

The Corporation received 80% and 20% of its operating revenue from the New York State Office of the Attorney General and the Local Initiatives Support Corporation grant, respectively, for the year ended December 31, 2018.

Note 5. Commitments and Contingencies

The Corporation participates in two 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 Corporation believes, based upon its review of current activity, the amount of such disallowances, if any, will be immaterial.

Note 6. Related Party Transactions

The County provides use of facilities to the Corporation at no charge. During the year ended December 31, 2018, the Corporation hired an executive director who is considered a County employee. The Corporation is responsible for all expenses related to her employment. The County requested for reimbursement for salary and benefits of \$85,219.

**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
Nassau 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 the Nassau County Land Bank Corporation (the Corporation), a component unit of the County of Nassau, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated May 29, 2019.

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) 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 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 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 Corporation'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*.

The Corporation's Response to the Finding

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Corporation'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.

RSM US LLP

New York, New York
May 29, 2019

**Nassau County Land Bank Corporation
(A Component Unit of the County of Nassau, New York)**

**Schedule of Findings and Responses
Year Ended December 31, 2018**

Schedule of Findings and Responses:

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2018-001 Completeness of Accrued Expenses

Criteria: Expenses should be recorded when incurred.

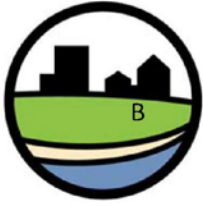
Condition: During our audit, we identified expenses of \$11,949 that were incurred during the year ended December 31, 2018 and paid subsequent to year-end that were not recorded in accounts payable or expenses. Further, management identified an additional \$438 that had not properly been recorded in accounts payable and expenses for the year ended December 31, 2018. These expenses were reimbursable through a grant and, therefore, there was an overstatement of grant advances and understatement of grant revenue as well.

Cause: Management keeps their books on a cash basis and does not record in the general ledger software until year-end. An outside accountant is used to record year-end entries for the accrual basis of accounting based on information provided by management. Management does not have a background in accounting and as such, is not aware of all items to consider for accrual of expenses.

Effect or potential effect: Accounts payable and expenses were understated. Further, grant advances were overstated and grant revenue was understated.

Recommendation: We recommend that management consider the use of an accountant for all transactions and periodic recording in the general ledger software rather than wait until year-end.

Management's response: Management agrees with the finding. Management has retained the services of an accountant to assist in financial recording.



NASSAU COUNTY

LAND BANK CORPORATION

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Summary Schedule of Prior Audit Findings December 31, 2018

Identifying Number: 2017-001

Audit Finding: RSM identified a voluntary nonexchange transaction for \$53,953 that had met all eligibility requirements that was improperly recorded as unearned revenue. Contribution revenue was understated and unearned revenue was overstated. Management has corrected this error in the financial statements.

Corrective Action Taken: When new grants are obtained, additional care will be taken to ensure that the proper classification of the grants. There were no new grants during 2018. As stated above we will ensure that grants moving forward has the proper classification. Corrective action has been taken.