

FINGER LAKES REGIONAL LAND BANK CORPORATION

**(A Blended Component Unit of the County of
Seneca, New York)**

**Financial Statements as of
December 31, 2021 and 2020
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

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INDEPENDENT AUDITOR'S REPORT

March 21, 2022

To the Board of Directors of the
Finger Lakes Regional Land Bank Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Finger Lakes Regional Land Bank Corporation (the Corporation), a blended component unit of the County of Seneca, New York (the County), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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, 2021 and 2020, and the respective 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audit 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 March 21, 2022 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.

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

Management's Discussion and Analysis (Unaudited)
December 31, 2021 and 2020

This section of the Finger Lakes Regional Land Bank Corporation's (the Corporation), a blended component unit of the County of Seneca, New York (the County), annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal years ending December 31, 2021, 2020, and 2019. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

GENERAL INFORMATION

The Corporation was incorporated in November 2015 to address the problems with vacant, abandoned, or tax delinquent property in the County with the intent to return the properties to productive use.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: this section, the Management's Discussion and Analysis (MD&A) and the basic financial statements. The Corporation is a self-supporting entity and follows business-type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Business-type activity statements offer short-term and long-term financial information about the activities and operations of the Corporation. This annual report consists of the financial statements and notes to those statements. The Statements of Net Position, Statements of Revenues, Expenses and Change in Net Position, the Statements of Cash Flows and related notes provide a detailed look at the specific financial activities of the Corporation and generally provide an indication of the Corporation's financial health. The Statements of Net Position include all of the Corporation's assets and liabilities, using the accrual basis of accounting. The Statements of Revenues, Expenses and Change in Net Position report all of the revenues and expenses during the time period indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for debt.

FINANCIAL HIGHLIGHTS

- Below are the Corporation's total net position, total current assets, total current liabilities, and current ratio at December 31, 2021, December 31, 2020, and December 31, 2019, respectively:

	2021	2020	2019
Total Net Position	\$ 97,469	\$ 20,262	\$ 50,870
Total Current Assets	\$ 203,828	\$ 310,879	\$ 447,363
Total Current Liabilities	\$ 106,359	\$ 290,617	\$ 396,493
Current Ratio	1.9	1.1	1.1

The current ratio provides an idea as to the Corporation's ability to pay back its short-term liabilities. The higher the current ratio, the healthier the company. This ratio indicates the Corporation is more than able to meet and pay its current obligations.

FINGER LAKES REGIONAL LAND BANK CORPORATION
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December 31, 2021 and 2020

- Below are the Corporation's operating revenues, operating expenses and operating income at December 31, 2021, December 31, 2020 and December 31, 2019, respectively:

	2021	2020	2019
Operating Revenues	\$ 459,682	\$ 303,026	\$ 188,830
Operating Expenses	\$ 379,760	\$ 329,999	\$ 247,447
Operating Income	\$ 79,922	\$ (26,973)	\$ (58,617)

FINANCIAL ANALYSIS OF THE CORPORATION

Below is an analysis of the assets, liabilities, revenues and expenses of the Corporation.

Summary of Assets, Liabilities and Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 203,828	\$ 310,879	\$ 447,363
Current liabilities	<u>106,359</u>	<u>290,617</u>	<u>396,493</u>
Total Net position - unrestricted	<u>\$ 97,469</u>	<u>\$ 20,262</u>	<u>\$ 50,870</u>

CURRENT ASSETS

Current assets at December 31, 2021 was comprised of cash, inventory, and prepaid expenses. Current assets at both December 31, 2020 and December 31, 2019 also included loan receivable.

INVENTORY

Properties held for sale comprise inventory. At December 31, 2021, 2020 and 2019, the Corporation owned 7 properties, 8 properties and 11 properties, respectively.

CAPITAL ASSETS

At this moment, the Corporation does not possess any capital assets.

CURRENT LIABILITIES

Current liabilities are comprised of current obligations (both accounts payable and accrued liabilities) that are due currently, or in the next 12 months as well as advances of grant and government subsidy revenue that have not yet been earned. In 2019, the Corporation borrowed on a line of credit, which had an outstanding balance of \$40,996 and \$52,143 at December 31, 2021 and 2020, respectively. In 2019, the Corporation also received a note payable in the amount of \$120,000, which was subsequently paid off in 2021. These amounts are due within 12 months of the financial statement date.

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

Management's Discussion and Analysis (Unaudited)
December 31, 2021 and 2020

BUDGET

Due to the Corporation being in start-up phases of operation, budgeting has not been accurate to this point. Management has created a budget for 2022, along with projections through 2025.

Summary of Revenues, Expenses and Change in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:			
Grant and government subsidy revenue	\$ 288,882	\$ 282,326	\$ 169,839
Sale of property	170,800	16,700	9,991
In-kind revenue	<u>-</u>	<u>4,000</u>	<u>9,000</u>
Total operating revenues	<u>459,682</u>	<u>303,026</u>	<u>188,830</u>
OPERATING EXPENSES:			
Cost of sales	114,168	273,191	193,133
Unrealized loss on inventory	200,606	-	6,491
General and administrative expenses	314	499	574
Advertising	373	252	454
Professional services	52,775	34,282	20,368
Insurance	9,901	13,675	16,332
Miscellaneous expense	1,623	4,100	1,095
In-kind expense	<u>-</u>	<u>4,000</u>	<u>9,000</u>
Total operating expenses	<u>379,760</u>	<u>329,999</u>	<u>247,447</u>
OPERATING INCOME (LOSS)	<u>79,922</u>	<u>(26,973)</u>	<u>(58,617)</u>
NON-OPERATING INCOME (EXPENSE):			
Interest income	70	82	122
Interest expense	<u>(2,785)</u>	<u>(3,717)</u>	<u>(140)</u>
CHANGE IN NET POSITION	77,207	(30,608)	(58,635)
NET POSITION - beginning of year	<u>20,262</u>	<u>50,870</u>	<u>109,505</u>
NET POSITION - end of year	<u>\$ 97,469</u>	<u>\$ 20,262</u>	<u>\$ 50,870</u>

OPERATING REVENUES

Operating revenues continue to include grant revenue and in-kind revenues. The Corporation sold 3 properties in 2021. In 2020 and 2019, 3 and 1 properties were sold, respectively.

FINGER LAKES REGIONAL LAND BANK CORPORATION
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Management's Discussion and Analysis (Unaudited)
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OPERATING EXPENSES

Operating expenses increased from 2020 to 2021 due to increased costs related to property inventory that led to impairment expense. Operating expenses increased from 2019 to 2020 primarily due to cost of sales, including cost of maintaining properties in inventory.

OPERATING RESULTS

The Corporation had an operating income of \$79,922 for the year ended December 31, 2021 and an operating loss of \$26,973 for the year ended December 31, 2020. The increased operating income in 2021 was the result of increase in unrestricted revenue from property sales. The Corporation had an operating loss of \$58,617 in 2019. The increase in 2020 was the result of increase grant revenue used to pay for inventory, as well as increased unrestricted revenue from property sales.

NON-OPERATING INCOME

The Corporation received interest income on deposits and paid interest due to the issuance of short-term debt in 2021, 2020 and 2019.

FUTURE FACTORS

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The future impact of this situation on the Corporation and its results and financial position is not presently determinable.

REQUEST FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Corporation's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finger Lakes Regional Land Bank Corporation - Seneca County Department of Planning and Community Development, One DiPronio Drive, Waterloo, NY 13165.

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash - unrestricted	\$ 85,185	\$ 101,377
Cash - restricted	63,455	107,990
Loan receivable	-	1,201
Inventory	45,677	100,311
Prepaid expenses	<u>9,511</u>	<u>-</u>
Total current assets	<u>203,828</u>	<u>310,879</u>
Total assets	<u>203,828</u>	<u>310,879</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	-	225
Accrued expenses	1,908	10,259
Note payable	-	120,000
Line of credit	40,996	52,143
Grant and government subsidy revenue advance	<u>63,455</u>	<u>107,990</u>
Total current liabilities	<u>106,359</u>	<u>290,617</u>
Total liabilities	<u>106,359</u>	<u>290,617</u>
NET POSITION		
Unrestricted	<u>97,469</u>	<u>20,262</u>
Total net position	<u>\$ 97,469</u>	<u>\$ 20,262</u>

The accompanying notes are an integral part of these statements.

FINGER LAKES REGIONAL LAND BANK CORPORATION
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Statements of Revenues, Expenses and Change in Net Position
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Grant and government subsidy revenue	\$ 288,882	\$ 282,326
Sale of property	170,800	16,700
In-kind revenue	-	4,000
	<u>459,682</u>	<u>303,026</u>
OPERATING EXPENSES:		
Cost of sales	114,168	273,191
Unrealized loss on inventory	200,606	-
General and administrative expenses	314	499
Advertising	373	252
Professional services	52,775	34,282
Insurance	9,901	13,675
Miscellaneous expense	1,623	4,100
In-kind expense	-	4,000
	<u>379,760</u>	<u>329,999</u>
OPERATING INCOME (LOSS)	<u>79,922</u>	<u>(26,973)</u>
NON-OPERATING INCOME (EXPENSE):		
Interest income	70	82
Interest expense	<u>(2,785)</u>	<u>(3,717)</u>
CHANGE IN NET POSITION	77,207	(30,608)
NET POSITION - beginning of year	<u>20,262</u>	<u>50,870</u>
NET POSITION - end of year	<u>\$ 97,469</u>	<u>\$ 20,262</u>

The accompanying notes are an integral part of these statements.

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grant and government subsidies	\$ 244,347	\$ 190,333
Cash received from sale of property	172,001	15,499
Cash paid for inventory	(260,140)	(289,578)
Cash paid for management fees	-	(499)
Cash paid for advertising	(373)	(252)
Cash paid for professional services	(61,764)	(27,293)
Cash paid for insurance	(19,637)	-
Cash paid for general and administrative expenses	<u>(1,937)</u>	<u>(2,960)</u>
Net cash from operating activities	<u>72,497</u>	<u>(114,750)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash received from debt issuance	-	15,000
Cash paid for principal debt payments	(131,147)	(16,746)
Cash paid for interest on debt	<u>(2,147)</u>	<u>(4,287)</u>
Net cash from financing activities	<u>(133,294)</u>	<u>(6,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from interest	<u>70</u>	<u>82</u>
Net cash from investing activities	<u>70</u>	<u>82</u>
CHANGE IN CASH	(60,727)	(120,701)
CASH - beginning of year	<u>209,367</u>	<u>330,068</u>
CASH - end of year	<u>\$ 148,640</u>	<u>\$ 209,367</u>
RECONCILIATION OF CASH TO THE STATEMENTS OF NET POSITION:		
Cash - unrestricted	\$ 85,185	\$ 101,377
Cash - restricted	<u>63,455</u>	<u>107,990</u>
Total	<u>\$ 148,640</u>	<u>\$ 209,367</u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 79,922	\$ (26,973)
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Unrealized loss on inventory	200,606	-
Changes in:		
Loan receivable	1,201	(1,201)
Inventory	(145,972)	3,534
Prepaid expenses	(9,511)	13,450
Accounts payable	(225)	(21,696)
Accrued expenses	(8,989)	10,129
Grant and government subsidy revenue advance	<u>(44,535)</u>	<u>(91,993)</u>
Net cash from operating activities	<u>\$ 72,497</u>	<u>\$ (114,750)</u>

NONCASH ACTIVITIES:

The County paid \$0 and \$4,000, mostly comprised of legal services, salaries and benefits, to manage and operate the Corporation during the fiscal years ending December 31, 2021 and 2020. These transactions are reflected as in-kind operating revenue and operating expense.

The accompanying notes are an integral part of these statements.

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

Notes to Basic Financial Statements
December 31, 2021 and 2020

1. ORGANIZATION

The Finger Lakes Regional Land Bank Corporation (the Corporation), was formed in 2015 to address the problems of vacant, abandoned, or tax delinquent property in the County of Seneca, New York (the County), in a coordinated manner through the acquisition of real property. The mission of the Corporation is to return that property to productive use in order to strengthen the economy, improve the quality of life, and improve the financial condition of the municipalities, through the use of the powers and tools granted to land banks by New York State (NYS).

The Corporation is considered a blended component unit of the County because the Corporation has been organized as a nonprofit organization with the sole member of the Corporation being the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial principles.

Measurement Focus and Basis of Accounting

The Corporation operates as a proprietary fund. Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

The Corporation utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 period. Actual results could differ from these estimates, particularly given the economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be significant.

Income Tax Status

The Corporation was organized as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code.

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

Notes to Basic Financial Statements
December 31, 2021 and 2020

Cash and Restricted Cash

Cash consists primarily of demand deposits. Certain amounts of cash are classified as restricted because their use is restricted by grant agreements. Restricted cash balances have been offset by grant and government subsidy revenue advances at December 31, 2021 and 2020.

Inventory

Inventory consists of vacant, abandoned, or tax delinquent property in the County purchased by the Corporation or donated by the County. Inventory is valued at the lower of cost or market. Market value is defined as estimated selling price and is based on half of assessed value for rehabilitation candidate properties, half of assessed land value for demolition candidate properties, and third-party appraisals or other methods as deemed appropriate. Cost includes but is not limited to, property purchase cost, appraisal, inspection and recording fees, renovation costs and professional services.

Prepaid Expenses

Prepaid expenses consist primarily of amounts paid for the portion of insurance policies that provide coverage for the following fiscal year.

Grant and Government Subsidy Revenue Advance

Grant advances consist of amounts of received grant and government subsidy revenue for which the definition of earned has not been met. Such amounts are reflected as a liability until the amounts are deemed earned and then recognized as revenue.

Operating and Non-Operating Revenues and Expenses

As a business-type activity, the Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues are mostly comprised of grant and government subsidy revenue resulting from exchange transactions, in-kind services, and sale of properties associated with the principal activities of the Corporation. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with the Corporation's mission. All other transactions are considered non-operating activities.

Cost of Sales

At the time of sale of inventory, the book value of inventory is recognized as expense under cost of sales. Cost of sales also include expenses incurred to maintain properties held in inventory that do not meet the definition to be treated as inventory. These include, but are not limited to, property taxes, mowing, and other property maintenance costs.

Unrealized Loss on Inventory

Deterioration, damage, changing prices and other factors have caused the cost of certain inventory to exceed its market value. In accordance with GAAP, inventory has been reduced to market value and an unrealized loss has been recognized for the year ended December 31, 2021. No impairment expense was recorded for the year ended December 31, 2020.

FINGER LAKES REGIONAL LAND BANK CORPORATION
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Notes to Basic Financial Statements
December 31, 2021 and 2020

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Corporation did not have net investment in capital assets at December 31, 2021 and 2020.
- b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Corporation did not have restricted net position at December 31, 2021 and 2020.
- c. Unrestricted net position - all other net position that does not meet the definition of net investment in capital assets or restricted net position.

It is the Corporation's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within and authorized to do business in New York State (NYS). Collateral is required for deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are those identified in NYS General Municipal Law, Section 10 and outlined in the NYS Comptroller's Financial Management Guide.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

FINGER LAKES REGIONAL LAND BANK CORPORATION
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Notes to Basic Financial Statements
December 31, 2021 and 2020

Custodial Credit Risk

Custodial credit risk 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 and deposit 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 restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations partially insured or guaranteed by an agency of the United States of America;
- Obligations issued or fully insured or guaranteed by NYS;
- Obligations issued by a municipal corporation, school district or district corporation of NYS;
- Obligations issued by states (other than NYS) of the United States of America rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO).

The Corporation maintained cash balances with a financial institution insured by the FDIC up to \$250,000, for demand and non-demand accounts. At December 31, 2021 and 2020, the Corporation's deposits consisted of \$148,640 and \$209,401 in cash, respectively, and were fully insured by the FDIC.

4. CONCENTRATIONS OF CREDIT RISK

The Corporation receives significant support from certain governmental entities. The primary source of funding is through grant awards funded by the New York State Office of the Attorney General, which has been administered by Local Initiatives Support Corporation (LISC) and Enterprise Community Partners Inc. (Enterprise). Funding from LISC comprised 4% and 31% of revenue for the years ended December 31, 2021 and 2020, respectively. Funding from Enterprise comprised 39% and 46% of revenue for the years ended December 31, 2021 and December 31, 2020, respectively.

5. SHORT-TERM DEBT

Line of Credit

The Corporation has an agreement for a direct borrowing with Generations Bank for a line of credit not to exceed \$70,000. The line of credit is secured by a first priority security interest in all assets of the Corporation.

In 2020, the line of credit was renewed with a due date of the entire balance on October 1, 2021. Interest is accrued on the outstanding principal balance of the loan at The Wall Street Journal Prime Rate (Index) plus 1.00% (Variable Rate), never to be less than 6.25%. The Corporation pays monthly payments of 1/36th of the outstanding principal balance plus interest.

In 2021, the line of credit was renewed at a fixed rate of 3.00%. Interest payments shall be due and payable on an annual basis on January 25. The entire balance including principal shall be due and payable on October 10, 2022, with options of the Corporation to renew annually.

FINGER LAKES REGIONAL LAND BANK CORPORATION
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December 31, 2021 and 2020

Note Payable

On October 1, 2019, the Corporation entered into an agreement with the County for a note payable in the amount of \$120,000. In accordance with this agreement, the Corporation must pay in full due on October 1, 2020. The note payable remained outstanding at December 31, 2020, but was repaid during the year ended December 31, 2021.

Short-term debt activity for the year ended December 31, 2021 was as follows:

<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Direct Borrowing - Line of Credit:						
9/23/2019	10/10/2022	3.00%	\$ 52,143	\$ -	\$ (11,147)	\$ 40,996
Note Payable:						
10/1/2019	10/1/2020	0.00%	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>	<u>-</u>
			<u>\$ 172,143</u>	<u>\$ -</u>	<u>\$ (131,147)</u>	<u>\$ 40,996</u>

Short-term debt activity for the year ended December 31, 2020 was as follows:

<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Direct Borrowing - Line of Credit:						
9/23/2019	10/1/2021	Variable	\$ 53,889	\$ 15,000	\$ (16,746)	\$ 52,143
Note Payable:						
10/1/2019	10/1/2020	0.00%	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
			<u>\$ 173,889</u>	<u>\$ 15,000</u>	<u>\$ (16,746)</u>	<u>\$ 172,143</u>

Interest expense related to the line of credit is \$2,785 and \$3,717 for the years ended December 31, 2021 and 2020, respectively.

6. AGREEMENT WITH COUNTY OF SENECA, NEW YORK

In 2021, the Corporation renewed their 2018 agreement with the County for a period through December 31, 2022. As part of this agreement, the Corporation will conduct various neighborhood revitalization services such as promoting safe and affordable housing within the County, and revitalizing and returning to use vacant properties. In exchange, the County will provide all administrative functions necessary for the Corporation in connection with this agreement.

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

Notes to Basic Financial Statements
December 31, 2021 and 2020

As part of this agreement, the Corporation agrees to reimburse the County for all reasonable expenses incurred by the County in the performance of administrative services on its behalf. The Corporation will provide the difference in salary between the County Planner position and the total salary of the CEO/President as consideration. The County agrees to invoice the Corporation on a quarterly basis. Based upon on this agreement, the County may, at its discretion, offer all or a portion of these services as an in-kind contribution of the County to the operations of the Corporation. The Corporation paid the County \$27,456 and \$9,004 for the years ended December 31, 2021 and 2020 related to these services.

The total value of in-kind services provided by the County are \$0 and \$4,000 for the years ended December 31, 2021 and 2020 respectively, and are recorded as in-kind operating revenue and expenses for the years then ended.

7. COVID-19

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The future impact of this situation on the Corporation and its results and financial position is not presently determinable.

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

March 21, 2022

To the Board of Directors of the
Finger Lakes Regional Land Bank Corporation

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 Finger Lakes Regional Land Bank Corporation (the Corporation), a blended component unit of the County of Seneca, New York, (the County), as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2022.

Report on 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) as a basis for designing 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 preceding paragraph 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item number 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on 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 financial statements. 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*.

Corporation's Response to Findings

The Corporation's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

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Schedule of Findings and Responses
For the year ended December 31, 2021

Reference Number: 2021-001

Criteria:

Adequate controls are in place that will ensure proper tracking of expenses related to grant awards and accurate grant reporting.

Condition/Cause:

Grant revenues are recognized at the time allowable expenditures are incurred. During the year ended December 31, 2021, there was not a sufficient method in place to identify expenditures charged to grants in the accounting records and ensure proper and timely recognition of grant revenue.

Effect:

A material audit adjustment to increase grant and government subsidy revenue and decrease grant and government subsidy revenue advance by \$27,456 was required to properly state financial statements in accordance with U.S. GAAP.

Recommendation:

We recommend that the Corporation develop procedures to reconcile grant revenue to disbursements being charged to the grant to ensure proper reporting at year end.

Management's Response:

Land Bank staff including the CEO and CFO will coordinate with accounting team to ensure that all transactions are coded correctly to reconcile grant revenue to disbursements being charged to the grant in accordance with U.S. GAAP.

Reference Number: 2021-002

Criteria:

Adequate controls in place that will ensure proper valuation of inventory at the lower of cost or market value in accordance with U.S. GAAP.

Condition/Cause:

During the year ending December 31, 2021, the Corporation did not identify market values in accordance with the established accounting policy and thus did not accurately evaluate for impairment loss.

Effect:

As a result of instances of incorrect market value being used, inventory was materially overstated at December 31, 2021 and required a correcting audit entry to decrease inventory and increase unrealized loss on inventory by \$185,582.

Recommendation:

We recommend the Corporation review the process of testing inventory for impairment and ensure market values are accurate in accordance with the accounting policy.

Management's Response:

The Land Bank will review the accounting process to ensure that a process is in place for testing for impairment and that each property is valued in accordance with established accounting policies.