

KINGSTON CITY LAND BANK, INC.  
Financial Statements  
December 31, 2021 and 2020  
(With Independent Auditors' Report Thereon)

KINGSTON CITY LAND BANK, INC.

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Kingston City Land Bank, Inc.:

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Kingston City Land Bank, Inc. (the Corporation), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kingston City Land Bank, Inc. as of December 31, 2021 and 2020, and the changes in its net assets 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 within one year after the date that the financial statements are available to be issued.

## Auditors' 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 auditors' 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits.

EFPR Group, CPAs, PLLC

Williamsville, New York  
August 4, 2022

KINGSTON CITY LAND BANK, INC.  
 Statements of Financial Position  
 December 31, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and equivalents	\$ 1,366,747	691,691
Accounts receivable	231,350	187
Prepaid expenses	6,167	983
Property held for resale	<u>319,637</u>	<u>99,818</u>
Total current assets	<u>1,923,901</u>	<u>792,679</u>
Property and equipment, at cost	1,234	1,234
Less accumulated depreciation	<u>(370)</u>	<u>(123)</u>
Net property and equipment	<u>864</u>	<u>1,111</u>
Total assets	<u>\$ 1,924,765</u>	<u>793,790</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	135,838	63,450
Deferred revenue	<u>291,315</u>	<u>478,336</u>
Total current liabilities	<u>427,153</u>	<u>541,786</u>
Net assets:		
Without donor restrictions	473,706	31,590
With donor restrictions	<u>1,023,906</u>	<u>220,414</u>
Total net assets	<u>1,497,612</u>	<u>252,004</u>
Commitments and contingencies (note 5)	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 1,924,765</u>	<u>793,790</u>

See accompanying notes to financial statements.

KINGSTON CITY LAND BANK, INC.

Statement of Activities

Year ended December 31, 2021  
with comparative totals for 2020

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Total</u>	
			<u>2021</u>	<u>2020</u>
Revenue:				
Grant income	\$ 187,021	-	187,021	564,278
Contribution income	20,381	-	20,381	21,470
Pledge income	1,009,313	1,023,906	2,033,219	237,132
Sale of property	443,283	-	443,283	-
Miscellaneous income	273	-	273	719
Released from restrictions	<u>220,414</u>	<u>(220,414)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,880,685</u>	<u>803,492</u>	<u>2,684,177</u>	<u>823,599</u>
Expenses:				
Office supplies	12,587	-	12,587	12,838
Advertising	5,183	-	5,183	241
Publications	1,055	-	1,055	55
Bank charges	219	-	219	35
Insurance	45,723	-	45,723	10,449
Professional services	20,113	-	20,113	31,507
Meeting expenses	-	-	-	140
Maintenance expenses	-	-	-	30,634
Personnel expenses	276,903	-	276,903	458,509
Utilities	1,649	-	1,649	45
Due diligence	36,969	-	36,969	25,282
Property cost	7,243	-	7,243	2,000
Travel and conferences	45	-	45	-
Cost of property sold	1,030,619	-	1,030,619	-
Miscellaneous expense	14	-	14	-
Depreciation expense	<u>247</u>	<u>-</u>	<u>247</u>	<u>123</u>
Total expenses	<u>1,438,569</u>	<u>-</u>	<u>1,438,569</u>	<u>571,858</u>
Change in net assets	442,116	803,492	1,245,608	251,741
Net assets at beginning of year	<u>31,590</u>	<u>220,414</u>	<u>252,004</u>	<u>263</u>
Net assets at end of year	<u>\$ 473,706</u>	<u>1,023,906</u>	<u>1,497,612</u>	<u>252,004</u>

See accompanying notes to financial statements.

KINGSTON CITY LAND BANK, INC.

Statement of Activities

Year ended December 31, 2020

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Total</u>
Revenue:			
Grant income	\$ 564,278	-	564,278
Contribution income	21,470	-	21,470
Pledge income	16,718	220,414	237,132
Miscellaneous income	<u>719</u>	<u>-</u>	<u>719</u>
Total revenue	<u>603,185</u>	<u>220,414</u>	<u>823,599</u>
Expenses:			
Office supplies	12,838	-	12,838
Advertising	241	-	241
Publications	55	-	55
Bank charges	35	-	35
Insurance	10,449	-	10,449
Professional services	31,507	-	31,507
Meeting expenses	140	-	140
Maintenance expenses	30,634	-	30,634
Personnel expenses	458,509	-	458,509
Utilities	45	-	45
Due diligence	25,282	-	25,282
Property cost	2,000	-	2,000
Depreciation expense	<u>123</u>	<u>-</u>	<u>123</u>
Total expenses	<u>571,858</u>	<u>-</u>	<u>571,858</u>
Change in net assets	31,327	220,414	251,741
Net assets at beginning of year	<u>263</u>	<u>-</u>	<u>263</u>
Net assets at end of year	<u>\$ 31,590</u>	<u>220,414</u>	<u>252,004</u>

See accompanying notes to financial statements.

KINGSTON CITY LAND BANK, INC.  
Statements of Cash Flows  
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,245,608	251,741
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	247	123
Changes in:		
Accounts receivable	(231,163)	(187)
Prepaid expenses	(5,184)	(983)
Property held for resale	(219,819)	(99,818)
Accounts payable	72,388	63,450
Deferred revenue	<u>(187,021)</u>	<u>(564,277)</u>
Net cash provided by (used in) operating activities	<u>675,056</u>	<u>(349,951)</u>
Cash flows from financing activities - purchase of property and equipment	<u>-</u>	<u>(1,234)</u>
Net change in cash	675,056	(351,185)
Cash at beginning of year	<u>691,691</u>	<u>1,042,876</u>
Cash at end of year	<u><u>\$ 1,366,747</u></u>	<u><u>691,691</u></u>

See accompanying notes to financial statements.

KINGSTON CITY LAND BANK, INC.

Notes to Financial Statements

December 31, 2021 and 2020

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Kingston City Land Bank, Inc. (the Corporation) was established in November 2018 to combat the problem of vacant and abandoned properties in Kingston, New York and facilitate the return of vacant, abandoned and tax-delinquent properties to productive use through the use of funds and powers granted under the New York State (NYS) Community Revitalization Initiative Program (CRI) administered by the New York State Office of the Attorney General. The Corporation was formed within the parameters of the New York Land Bank Act, under Section 402 of the New York Not-For-Profit Corporation Law. The Corporation was awarded initial funding from the Kingston Land Bank Fund of the Community Foundations of the Hudson Valley in 2019.

(b) Basis of Presentation

The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Corporation's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations and either expire by passage of time or can be fulfilled by actions of the Corporation.

(c) Estimates

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

(d) Grant Revenue Recognition

Revenue from restricted grants is recognized when the expenses are incurred under the terms of the grant with any amounts received in advance of the expenses incurred reported as deferred revenue and any expenses incurred before receipt of the revenue is recorded as grants receivable. Revenue from operating grants is generally recognized when received. These grants are subject to review and audit by various funding sources. Adjustments, if any, are recognized in the year they are known.

(e) Revenue Recognition

Under Accounting Standards Update (ASU) No. 2014-09 (Topic 606) - Revenue from Contracts with Customers, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for these good or services. The Corporation utilizes a five-step framework as identified in ASU No. 2014-09. The primary source of revenue from contracts with customers is property sales. Those sales contain a single delivery element and revenue is recognized at a single point in the time when ownership, risks and rewards transfer. There are no related contract assets or liabilities.

KINGSTON CITY LAND BANK, INC.  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Allocation of Costs

The Corporation charges costs using the direct identification method where possible. However, certain costs have been allocated using various methods.

(g) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(h) Contributed Services and Grants

During the years ended December 31, 2021 and 2020, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

The Corporation reports donor restricted contributions as unrestricted support provided the restrictions are met in the same year the contributions are received.

Unrestricted contributions are recognized when promises are made.

(i) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities.

(j) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

KINGSTON CITY LAND BANK, INC.  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Risks and Uncertainties

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

(2) Liquidity

The Corporation has \$1,598,097 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$1,366,747 of cash and equivalents and \$231,350 of accounts receivable. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2021 statement of financial position.

(3) Functional Expenses

The Corporation provides services to the City of Kingston (the City) related to foreclosed properties. All expenses related to providing these services have been allocated to program services with the exception of certain components within administrative expense. Administrative expenses include professional services, general insurance and travel and conferences. Program expenses include construction and demolition costs and utilities. The allocation of expenses on a functional basis for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Program services	\$ 1,370,213	529,762
Support services - management and general activities - administrative	<u>65,123</u>	<u>42,096</u>
	<u>\$ 1,435,336</u>	<u>571,858</u>

(4) Net Assets With Donor Restrictions

The Corporation entered into separate agreements with Enterprise Community Partners and the NoVo Foundation to obtain funding. The funding is to be used to carry out the activities of acquiring, renovating and selling affordable homes in the City. Net assets with donor restrictions were \$1,023,906 and \$220,414 as of December 31, 2021 and 2020, respectively.

KINGSTON CITY LAND BANK, INC.  
Notes to Financial Statements, Continued

(5) Commitments and Contingencies

The Corporation is subject to audits and reviews of reimbursable costs by its various governmental agencies and other funding sources. The outcome of these audits and reviews may have the effect of retroactively increasing or decreasing revenue. In the event that a subsequent audit or review determines that an adjustment is required, the amount will be recognized in the period in which it becomes fixed and determinable. Management does not expect that such adjustments, if any, will be significant.

The Corporation may take ownership of properties in distress and, as a result, the potential exists for the commitment of substantial additional costs to be incurred in order to sell the related properties.