GREATER MOHAWK VALLEY LAND BANK CORPORATION

Financial Statements as of
December 31, 2018 and 2017
Together with
Independent Auditor's Report
And Report Required by *Government*
Auditing Standards

Bonadio & Co., LLP
Certified Public Accountants

GREATER MOHAWK VALLEY LAND BANK CORPORATION

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

July 25, 2019

To the Board of Directors of
Greater Mohawk Valley Land Bank Corporation:

Report on the Financial Statements
We have audited the accompanying financial statements of the Greater Mohawk Valley Land Bank Corporation (the Corporation), as of and for the years ended December 31, 2018 and 2017, 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 audits. 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. 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.

432 North Franklin Street, #60
Syracuse, New York 13204
p (315) 476-4004
f (315) 254-2384

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 2017, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 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 July 25, 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.

Bonadio & Co., LLP

GREATER MOHAWK VALLEY LAND BANK CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Greater Mohawk Valley Land Bank Corporation (the Corporation) annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal year ending December 31, 2018 and 2017. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

GENERAL INFORMATION

The Greater Mohawk Valley Land Bank Corporation (the Corporation), was formed in 2016 to address the problems of vacant, abandoned, or tax delinquent property in the Counties of Herkimer, Montgomery, Otsego, and Schoharie and the Cities of Rome and Utica (collectively, the Members), in a coordinated manner through the acquisition of real property. The mission of the Corporation is to strengthen communities across the Mohawk Valley by helping to return neglected and abandoned buildings 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, Statement of Revenue, Expenses and Changes 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 Company'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 Revenue, 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

- The Corporation's total net position at December 31, 2018 is $238,505, at December 31, 2017 is $52,200 and at December 31, 2016 is $66,250.
- Total current assets at December 31, 2018 are $308,692, at December 31, 2017 are $68,845 and at December 31, 2016 are $66,250. It is comprised of cash on hand, accounts receivable, inventory and prepaid insurance.
- Total current liabilities at December 31, 2018 are $82,719 comprised of accounts payable and accrued expenses and at December 31, 2017 are $22,486 comprised of accounts payable . There are no current liabilities as of December 31, 2016.
- Operating revenues for the year ended December 31, 2018 are $564,566, year ended December 31, 2017 are $203,572 and year ended December 31, 2016 are $75,000. Operating revenues primarily consist of grant funds from LISC.
- Operating expenses for the year ended December 31, 2018 are $375,981, year ended December 31, 2017 are $217,479 and year ended December 31, 2016 are $8,750.
- Operating income for the year ended December 31, 2018 is $188,585.

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

	2018	2017	2016
Current assets	$ 308,692	$ 68,845	$ 66,250
Capital assets	12,532	5,841	-
Total assets	321,224	74,686	66,250
Current liabilities	82,719	22,486	-
Net position:			
Net investment in capital assets	12,532	5,841	-
Unrestricted	225,973	46,359	66,250
Total net position	$ 238,505	$ 52,200	$ 66,250

CURRENT ASSETS

Current assets at December 31, 2018 are comprised of cash, accounts receivable, inventory and prepaid insurance. Current assets at December 31, 2017 are comprised of cash on hand, inventory and prepaid insurance. Current assets at December 31, 2016 are comprised strictly of cash on hand.

INVENTORY

The Corporation obtained inventory in 2017, while in 2016 there was no inventory. At December 31, 2017, the Corporation owned 2 properties. This increased to 41 properties at December 31, 2018.

CAPITAL ASSETS

As of December 31, 2018 and 2017, capital assets consists of various computer equipment and furniture.

CURRENT LIABILITIES

Current liabilities are $82,719 at December 31, 2018 comprised of primarily contractual work and property purchase costs in accounts payable and payroll and related liabilities in accrued expenses. Current liabilities are $22,486 at December 31, 2017 comprised of consulting fees, insurance and general and administrative expenses accounted for in accounts payable.

BUDGET

The Corporation's current year operational performance is not indicative of what was budgeted for the year and accordingly, a comparison of budget to actual figures will not be presented.

FINANCIAL ANALYSIS OF THE CORPORATION (Continued)

Summary of Revenues, Expenses, and Change in Net Position

	2018	2017	2016
OPERATING REVENUES:			
Grant and government subsidy revenue	$ 564,566	$ 203,572	$ 75,000
Total operating revenues	564,566	203,572	75,000
OPERATING EXPENSES:			
Cost of sales	37,311	225	-
Unrealized loss on inventory	55,641	-	-
Demolition contributions	9,990	18,190	-
Research and development	-	2,296	-
Salaries wages and related expenses	100,165	-	-
Consulting	64,056	133,492	7,000
Insurance	33,028	9,664	-
Professional services	38,367	30,799	-
General and administrative expenses	20,705	9,565	1,750
Rent	9,850	3,712	-
Conferences and meetings	75	1,127	-
Depreciation	1,459	-	-
Travel	5,334	8,409	-
Total operating expenses	375,981	217,479	8,750
OPERATING INCOME (LOSS)	188,585	(13,907)	66,250
NON-OPERATING EXPENSE:			
Miscellaneous expense	(3,706)	(143)	-
INCOME (LOSS) BEFORE CONTRIBUTIONS	184,879	(14,050)	66,250
CONTRIBUTIONS	1,426	-	-
CHANGE IN NET POSITION	186,305	(14,050)	66,250
NET POSITION - beginning of year	52,200	66,250	-
NET POSITION - end of year	$ 238,505	$ 52,200	$ 66,250

OPERATING REVENUES

There were no property sales during the years ended December 31, 2018, 2017 and 2016. Operating revenue is made up several grants from LISC as well as the City of Utica.

OPERATING EXPENSES

Operating expenses increased from 2017 to 2018 primarily due to increased salary costs and unrealized loss on inventory due to costs incurred on properties in inventory in excess of market value. Operating expenses were insignificant in 2016.

OPERATING RESULTS

The Corporation had operating income of $184,879 for the year ended December 31, 2018, an improvement over the operating loss of $14,050 for the year ended December 31, 2017. This income is primarily due to the capitalization of property costs as an inventory asset.

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 Greater Mohawk Valley Land Bank Corporation, 500 E. Main St. 2nd Floor, PO Box 53, Little Falls, NY 13365.

GREATER MOHAWK VALLEY LAND BANK CORPORATION

STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 143,387	$ 46,240
Accounts receivable	4,830	-
Inventory	159,945	1,987
Prepaid expenses	530	20,618
Total current assets	308,692	68,845
NONCURRENT ASSETS:		
Capital assets, net	12,532	5,841
Total assets	321,224	74,686
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	44,791	22,486
Accrued expenses	37,928	-
Total liabilities	82,719	22,486
NET POSITION		
Net investment in capital assets	12,532	5,841
Unrestricted	225,973	46,359
Total net position	$ 238,505	$ 52,200

The accompanying notes are an integral part of these statements.

GREATER MOHAWK VALLEY LAND BANK CORPORATION

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES:		
Grant and government subsidy revenue	$ 564,566	$ 203,572
Total operating revenues	564,566	203,572
OPERATING EXPENSES:		
Cost of sales	37,311	225
Unrealized loss on inventory	55,641	-
Demolition contributions	9,990	18,190
Research and development	-	2,296
Salaries, wages and related expenses	100,165	-
Consulting	64,056	133,492
Insurance	33,028	9,664
Professional services	38,367	30,799
General and administrative expenses	20,705	9,565
Rent	9,850	3,712
Conferences and meetings	75	1,127
Depreciation	1,459	-
Travel	5,334	8,409
Total operating expenses	375,981	217,479
OPERATING INCOME (LOSS)	188,585	(13,907)
NON-OPERATING EXPENSE:		
Miscellaneous expense	(3,706)	(143)
INCOME (LOSS) BEFORE CONTRIBUTIONS	184,879	(14,050)
CONTRIBUTIONS:		
Property contributions	1,426	-
CHANGE IN NET POSITION	186,305	(14,050)
NET POSITION - beginning of year	52,200	66,250
NET POSITION - end of year	$ 238,505	$ 52,200

The accompanying notes are an integral part of these statements.

GREATER MOHAWK VALLEY LAND BANK CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grant and government subsidies	$ 564,566	$ 203,572
Cash paid for inventory	(220,537)	(19,698)
Cash paid for unowned property demolitions	(9,990)	-
Cash paid for salaries	(69,352)	-
Cash paid for consulting	(69,310)	(127,010)
Cash paid for insurance	(19,743)	(23,479)
Cash paid for professional services	(33,144)	(29,522)
Cash paid for general and administrative expenses	(17,922)	(4,947)
Cash paid for rent	(9,850)	(3,712)
Cash paid for conferences and meetings	(290)	(912)
Cash paid for travel	(5,425)	(8,318)
Net cash from operating activities	109,003	(14,026)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(8,150)	(5,841)
Net cash from capital and related financing activities	(8,150)	(5,841)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net miscellaneous expense	(3,706)	(143)
Net cash from investing activities	(3,706)	(143)
CHANGE IN CASH	97,147	(20,010)
CASH - beginning of year	46,240	66,250
CASH - end of year	$ 143,387	$ 46,240
RECONCILATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ 188,585	$ (13,907)
Adjustments to reconcile operating loss to net cash flow from operating activities		
Depreciation	1,459	-
Unrealized loss on inventory	55,641	-
Property contributions	1,426	-
Changes in:		
Accounts receivable	(4,830)	-
Inventory	(213,599)	(1,987)
Prepaid expenses	20,088	(20,618)
Accounts payable	22,305	22,486
Accrued expenses	37,928	-
Net cash from operating activities	$ 109,003	$ (14,026)

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

The Greater Mohawk Valley Land Bank Corporation (the Corporation), was formed in 2016 to address the problems of vacant, abandoned, or tax delinquent property in the Counties of Herkimer, Montgomery, Otsego, and Schoharie and the Cities of Rome and Utica (collectively, the Members), in a coordinated manner through the acquisition of real property. The mission of the Corporation is to strengthen communities across the Mohawk Valley by helping to return neglected and abandoned buildings to productive use.

The Corporation was created by the Members via a joint venture.

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, and when applicable) 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.

Income Tax Status

The Corporation was organized under Internal Revenue Code 115 and meets the instrumentality of a government test.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of vacant, abandoned, or tax delinquent property purchased by the Corporation or donated. Inventory is valued at the lower of cost or market. Market value is defined as ½ of full market value per the tax assessor, with the exception of vacant lots and properties planned for demolition are valued at $1. Cost includes but is not limited to, property purchase cost, appraisal, inspection and recording fees, renovation costs and professional services.

Capital Assets

Capital assets include computers and equipment, furniture and fixtures, and software. Capital assets are defined by the Corporation as assets with an initial individual cost of more than $1,500 and having an estimated useful life in excess of one year. Assets will be depreciated using the straight-line method.

Prepaid Expenses

Prepaid expenses at December 31, 2018 and 2017 are comprised of amounts for following year insurance policies paid prior to fiscal year end.

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 associated with the principal activities of the Corporation. Operating expenses generally consist of general and administrative expenses associated with the Corporation's mission. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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 certain inventory's cost 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, 2018. There was no unrealized loss on inventory for the year ended December 31, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
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 does not have restricted net position at December 31, 2018 or 2017.
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

The Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Executive Director.

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.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

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 interest bearing and non-interest bearing accounts. At December 31, 2018 and 2017, the Corporation's deposits consisted of $143,287 and $46,240, respectively, and was insured in full by FDIC.

4. CAPITAL ASSETS

The Corporation's capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Computers and equipment	$ 4,436	$ -	$ -	$ 4,436
Furniture and fixtures	1,405	8,150	-	9,555
Total	5,841	8,150	-	13,991
Accumulated depreciation:				
Computers and equipment	-	(887)	-	(887)
Furniture and fixtures	-	(572)	-	(572)
Total	-	(1,459)	-	(1,459)
Capital assets, net	$ 5,841	$ 6,691	$ -	$ 12,532

The Corporation's capital assets activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Computers and equipment	$ -	$ 4,436	$ -	$ 4,436
Furniture and fixtures	-	1,405	-	1,405
Capital assets, net	$ -	$ 5,841	$ -	$ 5,841

5. LINE OF CREDIT

The Corporation has an available line of credit in the amount of $50,000 through May 31, 2019 that was acquired in July 2018. Any balance on the facility is payable on demand and accrues interest at a rate 2.0% above the Prime Rate published in the Wall Street Journal. This obligation is unsecured. There was no outstanding balance at December 31, 2018 and 2017.

6. INTERMUNICIPAL AGREEMENT

Within the parameters of the New York Land Bank Act of Article 16 of the New York Not-for-Profit Corporation Law, any two or more foreclosing governmental units are permitted to enter into an intergovernmental cooperation agreement to establish a land bank. In 2016, the Members (as described in Note 1) entered into an intermunicipal agreement for the creation of the Corporation to exercise the powers, duties, functions, and responsibilities of a land bank under the Land Bank Act.

7. RECLASSIFICATIONS

Certain amounts in the 2017 financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications did not have any effect on total net assets or change in net assets as previously reported.

Bonadio & Co., LLP
Certified Public Accountants

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*

July 25, 2019

To the Board of Directors of
Greater Mohawk Valley 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 Greater Mohawk Valley Land Bank Corporation (the Corporation), as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated July 25, 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.

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 have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as item number 2018-001 and 2018-002, to be material weaknesses.

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.

432 North Franklin Street, #60
Syracuse, New York 13204
p (315) 476-4004
f (315) 254-2384

www.bonadio.com

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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*
(Continued)

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*.

Corporation's Response to Findings
The Corporation's responses 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.

Bonadio & Co., LLP

GREATER MOHAWK VALLEY LAND BANK CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Reference Number: 2018-001

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

Condition/Cause:
During the year ending December 31, 2018, the Corporation did not have a method in place to track expenses related to the LISC (Local Initiatives Support Corporation) grant on an ongoing basis. In addition, there was no defined method for identifying and tracking expense type (i.e. administrative vs. programmatic).

Effect:
As a result of a lack of grant expense tracking, there is a risk that grant revenue will not be recorded to match related expense in a manner consistent with generally accepted accounting principles in the United States (U.S. GAAP). In addition, information was not sufficient to produce accurate grant reporting on actual expenses and classification to correlate with the approved budget. Lastly, without the accurately and timely identification of administrative expenses vs. programmatic expenses, there is risk for expending in excess of the allowed grant and thus causing noncompliance.

Recommendation:
We recommend the Corporation, in conjunction with those charged with governance, develop an adequate and effective internal control system that would allow for the consistent tracking of expenses that are eligible for reimbursement through grant awards. Such detail may be requested by granting agencies as support that all funds were expended in accordance with the grant agreement. Periodic reporting forms should reflect actual expenses properly classified by budget area as prescribed by LISC. We also recommend a review process be developed for such reporting. Grant expenses are also the basis of the timing of revenue recognition and such tracking allows for the preparation of financial statements in accordance with U.S. GAAP.

Management, in conjunction with those charged with governance, should regularly monitor administrative expenses to ensure all obligations may be met within the parameters of the grant award and/or using other unrestricted revenues.

Management's Response:

The board plans to review our policies and procedures in terms of Grant Expense tracking and update them to better reflect our actual method of reporting. In addition, we will monitor this activity with far more frequency to maintain its level of integrity.

Reference Number: 2018-002

Criteria:
Adequate controls in place that will ensure all transactions are recorded in a manner consistent with U.S. GAAP.

Condition/Cause:
During the year ending December 31, 2018, the Corporation lacked adequate procedures to record revenue in accordance with U.S. GAAP.

Effect:
Preliminary accounting records at December 31, 2018 required material revenue adjustments to properly state financial statements in accordance with U.S. GAAP.

Recommendation:
We recommend the Corporation, in conjunction with those charged with governance, review the controls over accounting for grants and revenue recognition to ensure accordance with U.S. GAAP and that reporting during the year is accurate for providing to those charged with governance.

Management's Response:
The board plans to review our policies and procedures in terms of revenue recording as well as refer to our outside accounting firm for advice on best practices. In addition, like 2018-001, we will monitor this activity with far more frequency to maintain its level of integrity.