

**Troy Community Land Bank Corporation**

**Financial Statements as of  
December 31, 2018  
Together with  
Independent Auditor's Reports**

**Bonadio & Co., LLP**  
Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

March 28, 2019

To the Board of Directors of  
Troy Community Land Bank Corporation:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Troy Community Land Bank Corporation (Corporation) (a component unit of the City of Troy, New York), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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.

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## 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 Troy Community Land Bank Corporation, as of December 31, 2018, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report of Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the accompanying table of contents to 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 March 28, 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



## **TROY COMMUNITY LAND BANK CORPORATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2018**

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

#### **Financial Highlights**

- The Corporation's net position decreased approximately \$150,000 this year. Much of this decrease is attributable to a decrease in the Corporation's property portfolio through additional property dispositions which increased the cost of sales.
- The Corporation disposed of 9 properties in fiscal year 2018, an increase from 5 properties in fiscal year 2017.
- Revenue from property sales in fiscal year 2018 was approximately \$130,000 an increase of \$127,000 from the approximately \$3,000 in property sales in fiscal year 2017.
- The increase of property sales, addition of new properties and commensurate increase in number of property improvements and ongoing maintenance resulted in a corresponding increase in operating expenses, including professional fees, insurance and other related expenses.
- Property held for sale was valued at approximately \$496,000 in fiscal year 2018.
- The Corporation's main revenue to support operations is from grant funds. These grant funds constitute 72% of its revenue and at the present time, the Corporation's continued viability is reliant on these grants.

#### **Overview of Financial Statements**

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

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

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

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



## Financial Analysis

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

### Summary of Net Position

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 378,666	\$ 266,849	\$ 111,817	42%
Non-current assets	<u>497,060</u>	<u>780,353</u>	<u>(283,293)</u>	-36%
Total assets	<u>875,726</u>	<u>1,047,202</u>	<u>(171,476)</u>	-16%
Current liabilities	<u>155,522</u>	<u>176,897</u>	<u>(21,375)</u>	-12%
Total liabilities	<u>155,522</u>	<u>176,897</u>	<u>(21,375)</u>	-12%
Net position				
Net investment in capital assets	1,184	1,069	115	11%
Unrestricted	<u>719,020</u>	<u>869,236</u>	<u>(150,216)</u>	-17%
	<u>\$ 720,204</u>	<u>\$ 870,305</u>	<u>\$ (150,101)</u>	-17%

In its fifth year of the Corporation's existence, the Corporation's net position decreased approximately \$150,000. Current assets increased due to an increase of approximately \$105,000 in cash due largely to the sale of property during the year of \$130,000 and the continued advancement of grant revenues to reimburse operating expenses. Non-current assets decreased due to the decrease in property held for sale of approximately \$283,000. This was due to the sale of 9 properties which removed approximately \$411,000 from inventory and increasing inventory approximately \$128,000 from new acquisitions and capital improvements.

### Summary of Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue:				
Sale of property	\$ 129,661	\$ 2,975	\$ 126,686	4258%
Other income	<u>6,847</u>	<u>200</u>	<u>6,647</u>	3324%
Total operating revenues	<u>136,508</u>	<u>3,175</u>	<u>133,333</u>	4199%
Operating Expenses	<u>861,199</u>	<u>241,572</u>	<u>619,627</u>	256%
Operating loss	<u>(724,691)</u>	<u>(238,397)</u>	<u>(486,294)</u>	204%
Non-operating revenues:				
Grants	514,111	165,830	348,281	210%
Other	<u>479</u>	<u>67</u>	<u>412</u>	615%
Total non-operating revenues	<u>514,590</u>	<u>165,897</u>	<u>348,693</u>	210%
Other Additions:				
Donated property	60,000	-	60,000	100%
Grants	<u>-</u>	<u>436,404</u>	<u>(436,404)</u>	-100%
Total other additions	<u>60,000</u>	<u>436,404</u>	<u>(376,404)</u>	-86%
Change in net position	<u>(150,101)</u>	<u>363,904</u>	<u>(514,005)</u>	-141%
Net position - beginning of year	<u>870,305</u>	<u>506,401</u>	<u>363,904</u>	72%
Net position - end of year	<u>\$ 720,204</u>	<u>\$ 870,305</u>	<u>\$ (150,101)</u>	-17%

### **Financial Analysis (Continued)**

The Corporation in its fifth year of operations saw an increase in operating revenue. The increase is due to selling nine properties in fiscal year 2018, which was an increase from the five properties sold in fiscal year 2017. In addition, the Corporation acquired five parcels of property an increase from the three parcels acquired in 2017 with a total inventory at December 31, 2018 of twenty-eight properties. This increase in activity also affected operating expenses, increasing them by approximately \$620,000. Donated properties increased due to Stewart's Corporation donating a property adjacent to a store it was renovating with a value of \$60,000.

### **Economic Factors**

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

### **Contacting Administration**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Corporation's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact the Troy Community Land Bank Corporation's Executive Director at 200 Broadway, Suite 701, Troy, New York 12180.



# TROY COMMUNITY LAND BANK CORPORATION

## STATEMENT OF NET POSITION DECEMBER 31, 2018

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### ASSETS

Cash	\$ 365,619
Accounts receivable	6,154
Prepaid expenses	<u>6,893</u>
Total current assets	<u>378,666</u>
Property held for sale	495,876
Capital assets, net	<u>1,184</u>
Total assets	875,726

### LIABILITIES

Accounts payable and accrued liabilities	14,298
Unearned grant revenue	<u>141,224</u>
Total current liabilities	<u>155,522</u>

### NET POSITION

Net investment in capital assets	1,184
Unrestricted - property held for resale	495,876
Unrestricted - available for operations	<u>223,144</u>
	<u>\$ 720,204</u>

The accompanying notes are an integral part of these statements.



**TROY COMMUNITY LAND BANK CORPORATION**

**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**OPERATING REVENUE**

Sale of property	\$ 129,661
Other	<u>6,847</u>
Total operating revenue	<u>136,508</u>

**OPERATING EXPENSES**

Cost of property sold	419,206
Property maintenance	230,944
Salaries and benefits	105,297
Professional fees	51,147
Insurance	43,455
Office and administrative	8,603
Dues and subscriptions	2,096
Depreciation	401
Property taxes	<u>50</u>
Total operating expenses	<u>861,199</u>
Operating loss	<u>(724,691)</u>

**NON-OPERATING REVENUES**

Grant revenue	514,111
Interest	<u>479</u>
Total non-operating revenues	<u>514,590</u>

**OTHER ADDITIONS**

Donated property	<u>60,000</u>
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CHANGE IN NET POSITION	<u>(150,101)</u>
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NET POSITION - beginning of year	<u>870,305</u>
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NET POSITION - end of year	<u>\$ 720,204</u>
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The accompanying notes are an integral part of these statements.

# TROY COMMUNITY LAND BANK CORPORATION

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

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### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from property sales	\$ 130,413
Other receipts	695
Payments to employees for salaries and benefits	(105,406)
Payments to vendors for goods and services	<u>(337,129)</u>

Net cash flows from operating activities	<u>(311,427)</u>
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### CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES

Receipts from grants	492,746
Purchase of property held for resale	(2,175)
Payments for improvements to property held for sale	<u>(73,623)</u>

Net cash flows from non-capital and related financing activities	<u>416,948</u>
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### CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	<u>(516)</u>
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Net cash flows from non-capital and related financing activities	<u>(516)</u>
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### CASH FLOWS FROM INVESTING ACTIVITIES

Receipts from interest earnings	<u>479</u>
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Net cash flows from investing activities	<u>479</u>
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Net change in cash	105,484
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Cash, beginning of year	<u>260,135</u>
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Cash, end of year	<u>\$ 365,619</u>
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### RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES

Operating loss	\$ (724,691)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	401
Cost of property sales	419,206
Change in assets and liabilities:	
Accounts receivable	(5,400)
Prepaid expenses	(931)
Accounts payable and accrued liabilities	<u>(12)</u>

Net cash flows from operating activities	<u>\$ (311,427)</u>
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The accompanying notes are an integral part of these statements.



# **TROY COMMUNITY LAND BANK CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018**

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### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Organization**

Troy Community Land Bank Corporation (Corporation) was organized in 2014, and is governed by its articles of incorporation, bylaws and the laws of the State of New York. The Corporation was established to facilitate the process of acquiring, improving and redistributing vacant and abandoned properties in the City of Troy (City). The Corporation's Board of Directors is comprised of a majority of individuals appointed by the City. The Corporation is considered a component unit of the City for financial reporting purposes.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Corporation's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Cash**

Custodial credit risk related to cash deposits is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits.

The Corporation had bank balances of \$365,888 at December 31, 2018 all of which are insured by the Federal Deposit Insurance Corporation (FDIC).

#### **Prepaid Expenses**

Prepaid expenses represent payments made by the Corporation for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are reported in the statement of net position as an asset using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense is reported in the year the goods or services are consumed.

#### **Property Held for Sale**

The Corporation primarily acquires its property held for sale from the City for the purpose of improving those properties and returning them to productive use on the property tax rolls. These properties are recorded at cost at the time of acquisition or if donated its acquisition value. Depending on the condition of the property at the time of acquisition, certain capital costs may be required to improve that property and ready it for resale. The additional capital costs are included in the value of the property.



1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Capital Assets, Net**

Capital assets are reported at historical cost. Donated assets are reported at estimated fair value at the time received. Capitalization thresholds, (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the statement of net position are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Furniture and equipment	\$500	SL	5 – 7 years

**Net Position Classifications**

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt, if any, that are attributable to the acquisition, construction, or improvement of those assets.

The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or the liability will be liquidated with the restricted assets reported. The Corporation did not have restricted net position at December 31, 2018.

The unrestricted component of net position is the net amounts of the assets and liabilities that are not included in the determination of net investment of capital assets or the restricted component of net position.

The Corporation's policy is to first utilize available restricted, when available, and then unrestricted resources in the conduct of its operations.

**Classification of Revenue and Expense**

Operating revenues are those that result from the provision of services related to the Corporation's principal purposes, and are generally associated with exchange transactions. Nonoperating revenues result from activities that are not directly related to the Corporation's principal purposes, but that exist in order to support them, and generally consist of nonexchange transactions. Other additions arise from grants provided for capital improvements on properties held for resale and are non-exchange transactions.

**Grant Revenue – Attorney General**

The Corporation currently has one grant totaling \$701,587 from the New York State Office of the Attorney General that covers the period January 10, 2017 through December 31, 2018. The grants are to be used for capital improvements to acquired properties, property maintenance and other operating expenses related to the acquired properties. The grants are paid on a periodic basis based on the estimated needs specifically related to the properties and includes adjustments for unspent funds from previous advances. Accordingly, funds received in advance of disbursement are recognized as unearned grant revenue and disbursements exceeding amounts received are recognized as grant receivable.



**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Income Taxes**

The Corporation is a not-for-profit local development corporation under Article 16 of New York State not-for-profit corporation law and is exempt from federal income taxes and New York State taxes. Accordingly, no income tax provision has been made.

**Use of Estimates**

The preparation of the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of depreciation using useful lives of capital assets.

**2. PROPERTY HELD FOR SALE**

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

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Purchased Property Acquisitions</u>	<u>Capital Improvements</u>	<u>Cost of Property Sales</u>	<u>Balance at End of Year</u>
2018	<u>\$ 779,284</u>	<u>121,881</u>	<u>6,100</u>	<u>(411,389)</u>	<u>\$ 495,876</u>

The Corporation acquired 3 parcels of property in fiscal year 2018. The Corporation sold 9 parcels of property in fiscal year 2018. In 2018 the 9 parcels of property were sold for total consideration of \$129,661 resulting in a loss on disposition of those properties of \$281,728.

**3. CONCENTRATIONS**

The Corporation received 72% of its revenue from the New York State Office of the Attorney General for the year ended December 31, 2018. At the present time, the Corporation's continued viability is reliant on the grants provided by the New York State Office of the Attorney General.

#### **4. RELATED PARTY TRANSACTIONS**

For fiscal year 2018, the City of Troy provided the Corporation with a City employee for 10 hours weekly. The value of these donated services has not been reflected in the accompanying financial statements.

#### **5. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Corporation is subject to various lawsuits and claims. Management believes that the ultimate resolution of these matters will not have a significant effect on the Corporation's financial position.

The Corporation participates in a grant program. The program could be subject to financial and compliance audits and may be conducted in accordance with grantor requirements on a periodic basis. The amounts, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time although the Corporation believes, based upon its review of current activity, the amount of such disallowances, if any, will be immaterial.

The Corporation has entered into two co-development agreements with Habitat for Humanity Capital District (Habitat for Humanity) where Habitat for Humanity would renovate four properties which the Corporation conveys to Habitat for Humanity for one dollar each. The agreements provided for the manner in which certain costs to renovate the properties would be shared. Upon sale of the properties, the first agreement requires the proceeds to be split in half and the second agreement requires the proceeds to be split at a rate equal to the ratio of their respective contributions to each property. The agreement term terminates at the same time as the New York State Office of the Attorney General grant.



## **OTHER REQUIRED REPORTING**

**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 28, 2019

To the Board of Directors of  
Troy Community Land Bank Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Troy Community Land Bank Corporation (Corporation), a component unit of the City of Troy, New York as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 28, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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*.

**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*