

**TROY COMMUNITY LAND BANK**  
**(A Discretely Presented Component Unit of the City of**  
**Troy, New York)**

**Financial Statements as of**  
**December 31, 2025**  
**Together with**  
**Independent Auditor's Reports**

**TROY COMMUNITY LAND BANK  
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF TROY, NEW YORK)**

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December 31, 2025**

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## **INDEPENDENT AUDITOR'S REPORT**

March 18, 2026

To the Board of Directors of  
Troy Community Land Bank

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Troy Community Land Bank Corporation (Land Bank), a discretely presented component unit of the City of Troy, New York, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Land Bank'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 Troy Community Land Bank Corp., as of December 31, 2025, and the respective changes in financial position and cash flows thereof, for the year 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 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 Land Bank 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 Land Bank'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.

6 Wembley Court  
Albany, NY 12205  
p (518) 464-4080  
f (518) 464-4087

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## INDEPENDENT AUDITOR'S REPORT

(Continued)

### ***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 Land Bank'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 Land Bank'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.

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## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***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 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 18, 2026 on our consideration of the Land Bank'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 Land Bank'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 Land Bank's internal control over financial reporting and compliance.

**TROY COMMUNITY LAND BANK  
(A DISCRETELY PRESENTED COMPONENT UNITY OF THE CITY OF TROY, NEW YORK)**

**Management's Discussion and Analysis (Unaudited)  
December 31, 2025**

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The following is a discussion and analysis of the Land Bank's financial performance for the fiscal year ended December 31, 2025. The section is a summary of the Land Bank'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 Land Bank's financial statements which immediately follow this section.

**Financial Highlights**

- The Land Bank's net position increased \$821,244 this year. Much of this increase is attributable to the Land Bank receiving both Land Bank Initiative Phase I and Phase II grants funding in fiscal year 2024 which was recognized as revenue in 2025. The Land Bank sold more properties in current year also contributing to the increase in net position.
- Revenue from property sales in fiscal year 2025 was \$621,000 compared to fiscal year 2024 of \$8,500. The Land Bank sold three parcels of properties in prior year compared to six parcels of properties sold in current year.
- Property held for sale was valued at \$299,267 as of December 31, 2025.
- The Land Bank's primary revenue to support operations is from grant funds. These grant funds constitute 68% of its revenue at the present time. The Land Bank's continued viability is reliant on these grants.

**Overview of Financial Statements**

The Land Bank had bank balances of \$320,264 at December 31, 2025. Of this balance, \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC).

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 Land Bank'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 Land Bank as a whole is improving or deteriorating. Evaluation of the overall economic health of the Land Bank 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 Land Bank'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, 2025 and 2024.

### Summary of Net Position

	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 792,468	\$ 932,366	\$ (139,898)	-15%
Non-current assets	<u>815,748</u>	<u>3,127</u>	<u>812,621</u>	25987%
Total assets	<u>1,608,216</u>	<u>935,493</u>	<u>672,723</u>	72%
Current liabilities	<u>15,046</u>	<u>163,567</u>	<u>(148,521)</u>	-91%
Total liabilities	<u>15,046</u>	<u>163,567</u>	<u>(148,521)</u>	-91%
Net Position				
Net investment in capital assets	815,748	3,127	812,621	25987%
Unrestricted	<u>777,422</u>	<u>768,799</u>	<u>8,623</u>	1%
	<u>\$ 1,593,170</u>	<u>\$ 771,926</u>	<u>\$ 821,244</u>	106%

In its twelve year of the Land Bank's existence, the Land Bank's net position increased \$821,244. Current assets increased with the increase in cash from properties sold. The decrease in current liabilities is due to the Land Bank paying off the construction loan with Pioneer Bank for \$120,000 from a parcel of property sold.

### Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue:				
Sale of property	\$ 621,000	\$ 8,500	\$ 612,500	N/A
Grants	1,332,060	541,836	790,224	146%
Other income	<u>1,641</u>	<u>625</u>	<u>1,016</u>	N/A
Total operating revenues	1,954,701	550,961	1,403,740	255%
Operating Expenses	<u>1,133,411</u>	<u>449,777</u>	<u>683,634</u>	152%
Operating loss	<u>821,290</u>	<u>101,184</u>	<u>720,106</u>	712%
Non-operating revenue/expense:				
Other	<u>(46)</u>	<u>(11,115)</u>	<u>11,069</u>	-100%
Change in net position	821,244	90,069	731,175	812%
Net position - beginning of year	<u>771,926</u>	<u>681,857</u>	<u>90,069</u>	13%
Net position - end of year	<u>\$ 1,593,170</u>	<u>\$ 771,926</u>	<u>\$ 821,244</u>	106%

**Summary of Changes in Net Position (Continued)**

The Land Bank in its twelfth year of operations saw an increase in operating revenue. The increase is due to the Land Bank selling six properties in fiscal year 2025 compared to prior year when the Land Bank sold three properties. The Land Bank also spent and recognized revenue for both Land Bank Initiative Phase I and Phase II grants, an increase in revenue compared to prior year of approximately \$970,000.

**Economic Factors**

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

**Contacting Management**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Land Bank'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 Board at 871 River Street 1st Floor Suite, Troy, New York 12180.

**TROY COMMUNITY LAND BANK CORPORATION**  
**(A Discretely Presented Component Unit of the City of Troy, New York)**

**Statement of Net Position**  
**December 31, 2025**

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**ASSETS**

Cash	\$	320,264
Accounts receivable		3,279
Grants receivable		149,103
Real property inventory		299,267
Prepaid expenses		<u>20,555</u>
Total current assets		<u>792,468</u>
Capital assets, net		<u>815,748</u>
Total assets		<u>1,608,216</u>

**LIABILITIES**

Accounts payable		<u>15,046</u>
Total current liabilities		<u>15,046</u>
Total liabilities		<u>15,046</u>

**NET POSITION**

Net investment in capital assets		815,748
Unrestricted - property held in inventory		299,267
Unrestricted		<u>478,155</u>
	\$	<u>1,593,170</u>

The accompanying notes are an integral part of these statements.

**TROY COMMUNITY LAND BANK CORPORATION**  
**(A Discretely Presented Component Unit of the City of Troy, New York)**

**Statement of Revenue, Expenses, and Change in Net Position**  
**For the Year Ended December 31, 2025**

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**OPERATING REVENUE**

Sale of property	\$ 621,000
Miscellaneous income	1,641
Grant revenue	<u>1,332,060</u>
Total operating revenue	<u>1,954,701</u>

**OPERATING EXPENSES**

Cost of property sold	635,445
Property rehabilitation expenses	124,776
Property maintenance	23,739
Salaries and benefits	130,043
Professional fees	143,507
Insurance	60,186
Office and administrative	8,972
Dues and subscriptions	4,810
Depreciation	<u>1,933</u>
Total operating expenses	<u>1,133,411</u>

Operating income	<u>821,290</u>
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**NON-OPERATING REVENUE/EXPENSE:**

Interest income	4,900
Interest expense	<u>(4,946)</u>
Total non-operating expense	<u>(46)</u>

CHANGE IN NET POSITION	<u>821,244</u>
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NET POSITION - beginning of year	<u>771,926</u>
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NET POSITION - end of year	<u>\$ 1,593,170</u>
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The accompanying notes are an integral part of these statements.

**TROY COMMUNITY LAND BANK CORPORATION**  
(A Discretely Presented Component Unit of the City of Troy, New York)

**Statement of Cash Flows**  
**For the Year Ended December 31, 2025**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipt from property sales	\$ 621,000
Receipts from grant revenue	1,193,977
Other receipts	1,641
Payments to employees for salaries and benefits	(130,043)
Payments to vendors for goods and services	<u>(772,341)</u>
Net cash flows from operating activities	<u>914,234</u>

**CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING**

Construction loan repayment	(120,000)
Interest expense paid	<u>(4,946)</u>
Net cash flows from non-capital and related financing	<u>(124,946)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Capital assets	<u>(545,336)</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Receipts from interest earnings	<u>4,900</u>
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Net change in cash 248,852

Cash, beginning of year 71,412

Cash, end of year \$ 320,264

**RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES**

Operating income	\$ 821,290
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	1,933
Change in assets and liabilities and deferred inflows of resources:	
Accounts receivable	(3,279)
Grants receivable	(99,203)
Property held for resale	226,550
Prepaid expenses	(4,536)
Accounts payable and accrued liabilities	10,359
Unearned grant revenue	<u>(38,880)</u>
Net cash flows from operating activities	<u>\$ 914,234</u>

The accompanying notes are an integral part of these statements.

**TROY COMMUNITY LAND BANK  
(A DISCRETELY PRESENTED COMPONENT UNITY OF THE CITY OF TROY, NEW YORK)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

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**1. ORGANIZATION**

**Nature of Organization**

Troy Community Land Bank Corporation (Land Bank) was organized in 2014, and is governed by its articles of incorporation, bylaws and the laws of the State of New York. The Land Bank was established to facilitate the process of acquiring, improving and redistributing vacant and abandoned properties in the City of Troy (City). The Land Bank's Board of Directors is comprised of two board members appointed by the two school districts, Lansingburgh Central School District and Troy City School Districts, one board member appointed by the Board, and the remaining eight board members are appointed by the Mayor and the City Council. The Land Bank is considered a component unit of the City for financial reporting purposes.

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

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

The Land Bank operates as a proprietary fund and utilizes 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 outflow of resources, and liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

The Land Bank 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.

**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 Land Bank's investment policy, all deposits of the Land Bank 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 Land Bank had bank balances of \$320,264 at December 31, 2025, \$250,000 of which is insured by the Federal Deposit Insurance Corporation (FDIC) and the remaining was supported by collateral.

**Grant Receivables/Revenue**

The Land Bank has been awarded various grants to promote community revitalization efforts and complete its recapitalization efforts and complete its rehabilitation projects. Payments under the grants are based on estimated needs of the Land Bank on a quarterly basis or based upon project budgets. Revenues under the grants are recognized as eligible project expenditure are incurred.

## 1. ORGANIZATION (Continued)

### Grant Receivable/Revenue (Continued)

Funds received in advance of disbursements are recognized as unearned grant revenue and disbursements exceeding amounts received are recognized as due from New York State or as a Grant Receivable.

The Land Bank has received Land Bank Initiative grant funding from NYS Department of Homes and Community Renewal to support services and expenses of the Land Bank and Homes and Community Renewal will allocate resources in two phases. Phase I will provide essential funding for Land Bank operations and non-capital expenses and Phase II will support expenses including property acquisition, building stabilization, demolition, pre-development, technical assistance and capacity building. In fiscal year 2025, the Land Bank was awarded \$200,000 through another Land Bank Initiative grant funding that has an ending date of August 31, 2026.

In fiscal year 2022, the Land Bank received COVID-19 ARPA Act funding from the City of Troy. The Land Bank was awarded and received \$1,000,000. The funding was to cover property clean outs, streetscape improvements, parking, gangway completion, property/casualty insurance, hiring a project manager and work relating to specific properties noted in the subrecipient agreement. For the year ended December 31, 2025, the Land Bank recognized the remaining revenue related to this grant of \$38,800.

### Real Property Inventory

The Land Bank primarily acquires its properties from the City for the purpose of improving those properties and returning them to productive use on the tax rolls. These properties are recorded at twenty-five percent of assessed value at the time of donation which management believes approximates acquisition cost. Depending on the condition of the property at the time of acquisition, certain capital costs may be required to improve that property and are added to the value of the property held for sale.

Property held consists primarily of vacant, abandoned or tax foreclosed property donated to the Land Bank by City of Troy. Property held for sale is valued at the lower of acquisition value or estimated market value. Market value is defined as estimated sales price based upon information available. Costs of property held for sale include acquisition value, renovation costs, and other costs that enhance the property's market value. The nature of the Land Bank's properties acquired are such that often times typically capitalizable expenses for improvement of properties are not included in the value of property held for resale and are instead expensed as incurred. This is because it may not be possible to recoup all of the costs of improvements at the time a property is sold.

### Prepaid Expenses

Prepaid expenses represent payments made by the Land Bank 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.

## 1. ORGANIZATION (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.
- Restricted net position - net position with the 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 Land Bank did not have restricted net position at December 31, 2025.
- The unrestricted component of net position is net of investment of capital assets or the restricted component of net position.

The Land Bank'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 Land Bank's principal purposes and are generally associated with exchange transactions. Nonoperating revenues result from activities that are not directly related to the Land Bank'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.

### Income Taxes

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

### 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.

## 2. REAL PROPERTY INVENTORY

The Land Bank's activity related to real property inventory during fiscal year ending December 31, 2025 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>Adjustment to Property Values</u>	<u>Balance at End of Year</u>
2025	<u>\$ 795,035</u>	<u>\$ -</u>	<u>\$ 1,347,924</u>	<u>\$ (635,170)</u>	<u>\$ (1,208,522)</u>	<u>\$ 299,267</u>

The Land Bank acquired zero parcels of property in fiscal year 2025. The Land Bank sold six parcels of property in fiscal year 2025. The Land Bank removed two properties from properties held for resale and reclassified properties to capital assets due to the Land Bank deciding to keep two properties to rent out, as well as use the space for their office.

## 3. CONCENTRATIONS

The Land Bank received 68% of its revenue from ARPA Act and Land Bank Initiative grants for the year ended December 31, 2025. At the present time, the Land Bank's continued viability is reliant on cash from the Land Bank Initiative grants.

## 4. COMMITMENTS AND CONTINGENCIES

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

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

## 5. DEBT

### Construction Loan

In March 2020, the Land Bank entered into a mortgage loan promissory note payable (direct borrowing) to a financial institution in the amount of \$226,000. The original term of the loan was 12 months with Interest only payments due beginning April 2020. During 2023, the loan due date was extended to September 2024. As of the date of this report, the loan was extended to March 31, 2025.

The loan was paid in full from the sale of the property securing the loan in fiscal year 2025.

## 5. DEBT (CONTINUED)

### Construction Loan (Continued)

The interest rate during the construction period is floating at the Prime Rate (as published by the Wall Street Journal) plus 0.50%. There is a floor (minimum) interest rate of 5.00% at all times. Interest rate as of December 31, 2025 is 7.50%.

	Balance at Beginning of Year	Additions	Paid	Balance at December 31, 2025	Due Within One Year
Construction	\$ 120,000	\$ -	\$ 120,000	\$ -	\$ -
Total	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ -</u>

## 6. SUBSEQUENT EVENTS

Subsequent to year-end, the Land Bank completed the sale of properties. The properties sold for \$150,000 under a purchase and sale agreement executed on February 13, 2026.

**OTHER REQUIRED REPORT**

**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 18, 2026

To the Board of Directors of  
Troy Community Land Bank

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Troy Community Land Bank Corporation (Land Bank), a component unit of the City of Troy, New York as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Land Bank's basic financial statements, and have issued our report thereon dated March 18, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Land Bank'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 Land Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Land Bank'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 weakness or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

*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, misstatement 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 statement will not be prevented, or detected and corrected, on a timely basis.

6 Wembley Court  
Albany, NY 12205  
p (518) 464-4080  
f (518) 464-4087

[www.bonadio.com](http://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)

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-001 to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Land Bank'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*.

**Land Bank's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Land Bank's response to the findings identified in our audit and described in the accompanying schedule of finding and responses. The Land Bank's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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.

**TROY COMMUNITY LAND BANK CORPORATION**  
**(A Discretely Presented Component Unit of the City of Troy, New York)**

**Schedule of Findings and Responses**  
**December 31, 2025**

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**Finding 2025-001 – Misstatement of Accounts Payable Due to Premature Contract Recognition and Improper Treatment of Issued but Uncashed Checks**

**Criteria** – (1) GAAP/GASB recognition standards: A liability should be recorded when a valid obligation exists, typically when goods/services are received.

- (2) Issued checks reduce cash at issuance, not at clearing. Proper accounting requires:
- Debit accounts payable or expense when check is issued
  - Reduce cash immediately
  - Reflect uncashed checks as outstanding checks, not additional liabilities

Internal control standards require accurate bank reconciliations, timely clearing of reconciling items, and prevention of duplicate liability recognition.

Land Bank financial policies (where applicable) require accurate recording of liabilities and cash activity in accordance with established accounting principles.

**Condition** – (1) Full contract value recorded in accounts payable without performance – The Land Bank recorded the entire value of vendor contracts in accounts payable at the time of contract execution, despite no goods/services being delivered, no progress billing submitted, and no acceptance documentation. These entries inflated accounts payable and expenses without meeting the requirement for liability recognition.

(2) Checks issued during the year but not cashed until after year-end were incorrectly included in accounts payable – During testing of the year-end close and cash reconciliation process, we identified checks that were properly issued during the fiscal year but not cashed until subsequent to year-end. Instead of being reflected as outstanding checks reducing the cash balance in the bank reconciliation, these payments were inappropriately recorded in accounts payable at year-end. This resulted in overstated accounts payable and an overstated cash balance because the reduction in cash was deferred until the check cleared rather than when issued.

**Cause** – The Land Bank misunderstood the distinction between contractual commitments vs liabilities. There was a lack of clear procedures ensuring that issued checks reduced cash upon issuance and weak reconciliation review controls allowing incorrect treatment of outstanding checks.

**Effect** – Overstatement of accounts payable due to recording full contract values regardless of work performed, and including issued-but-uncashed checks as accounts payable rather than reducing cash. Overstatement of cash, because reductions were recognized only when checks cleared.

**Recommendation** – We recommend that the Land Bank corrects the liability recognition practices and record accounts payable only when goods/services are received or a valid progress billing exists. The Land Bank should configure workflows so that issued checks immediately reduce cash and appear as outstanding checks in bank reconciliations until cleared and remove issued-but-uncashed checks from accounts payable at year-end.

**Management Response** – Management agrees with the finding and will implement the recommended corrective actions and strengthen procedures to ensure the control operates effectively going forward.