KINGSTON CITY LAND BANK, INC.
AND SUBSIDIARY

Consolidated Financial Statements
and Supplementary Information

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

KINGSTON CITY LAND BANK, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kingston City Land Bank, Inc. and Subsidiary (the Corporation) (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kingston City Land Bank, Inc. and Subsidiary as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and the consolidating schedule of activities are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 27, 2024

KINGSTON CITY LAND BANK, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
December 31, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and equivalents	$ 1,177,790	2,057,267
Accounts receivable	91,546	50,502
Prepaid expenses	8,539	5,656
Property held for resale	2,008,914	730,843
Total current assets	3,286,789	2,844,268
Property and equipment, at cost	-	1,234
Less accumulated depreciation	-	(617)
Net property and equipment	-	617
Total assets	$ 3,286,789	2,844,885
Liabilities and Net Assets		
Current liabilities - accounts payable	159,321	57,879
Construction loans	267,073	294,062
Total liabilities	426,394	351,941
Commitments and contingencies (note 7)		
Net assets:		
Without donor restrictions:		
Net assets and controlling interest	2,462,776	1,216,316
Noncontrolling interest	(65,089)	(11,876)
Total net assets without donor restrictions	2,397,687	1,204,440
With donor restrictions	462,708	1,288,504
Total net assets	2,860,395	2,492,944
Total liabilities and net assets	$ 3,286,789	2,844,885

See accompanying notes to consolidated financial statements.

KINGSTON CITY LAND BANK, INC. AND SUBSIDIARY
Consolidated Statements of Activities
Years ended December 31, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions:		
Revenue:		
Grant income	$ 550,517	666,315
Donations	23,490	48,296
Interest	7,094	-
Sale of property	904,362	251,745
Loss on disposal of property and equipment	(617)	-
Releases from restrictions	1,175,796	760,402
Total revenue	2,660,642	1,726,758
Expenses:		
Salaries and benefits	205,952	-
Office supplies	15,146	11,436
Advertising	4,565	7,383
Publications	2,637	1,715
Bank charges	8,157	5,770
Developer fees	48,411	-
Insurance	59,378	64,173
Interest	30,913	-
Professional services	59,651	21,386
Meetings	6,007	-
Maintenance	1,237	-
Personnel expenses	192,578	347,486
Utilities	9,899	5,340
Due diligence	32,699	24,180
Property cost	35,694	20,673
Travel and conferences	2,275	2,750
Cost of property sold	738,033	476,888
Miscellaneous	14,163	6,597
Depreciation	-	247
Total expenses	1,467,395	996,024
Changes in net assets without donor restrictions	1,193,247	730,734
Changes in net assets with donor restrictions:		
Restricted contributions	350,000	1,025,000
Releases from restrictions	(1,175,796)	(760,402)
Changes in net assets with donor restrictions	(825,796)	264,598
Change in net assets	367,451	995,332
Net assets at beginning of year	2,492,944	1,497,612
Net assets at end of year	$ 2,860,395	2,492,944

See accompanying notes to consolidated financial statements.

KINGSTON CITY LAND BANK, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 367,451	995,332
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	247
Loss on disposal of property and equipment	617	-
Changes in:		
Accounts receivable	(41,044)	180,848
Prepaid expenses	(2,883)	511
Property held for resale	(1,278,071)	(411,206)
Accounts payable	101,442	(77,959)
Deferred revenue	-	(291,315)
Net cash provided by (used in) operating activities	(852,488)	396,458
Cash flows from financing activities:		
Proceeds from construction loans	-	294,062
Repayment of construction loans	(26,989)	-
Net cash provided by (used in) financing activities	(26,989)	294,062
Net change in cash and equivalents	(879,477)	690,520
Cash and equivalents at beginning of year	2,057,267	1,366,747
Cash and equivalents at end of year	$ 1,177,790	2,057,267

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

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

The KCLB Maeda Legacy Cities 1, LLC (the Company), was formed in April 2022 with Maeda Construction, Inc. The Company is 51% owned by the Land Bank and was formed to develop and sell specific properties in Kingston, New York.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Lank Bank and the Company (collectively, the Corporation). All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(d) Basis of Presentation

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

(e) Cash and Equivalents

For purposes of reporting cash flow, the Corporation considers all highly liquid debt instruments with original maturities of three months of less to be cash and equivalents.

(f) Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentration of credit risk consist principally of cash accounts in financial institutions. The Corporation maintains financial instruments at financial institutions which periodically may exceed federally insured limits. At December 31, 2023 and 2022, the Corporation had $677,389 and $1,783,549 respectively, in excess of the federally insured limits.

(1) Summary of Significant Accounting Policies, Continued

(g) Receivables and Bad Debts

The Corporation's accounts receivable are primarily derived from pledges receivable. At each consolidated statement of financial position date, the Corporation recognizes an expected allowance for credit losses. This estimate is calculated on a pooled basis where similar characteristics exist and individually when there are no shared characteristics.

The allowance method is derived from a review of the Corporation's historical losses based on an aging of receivables. Historical losses have been consistent. This estimate is adjusted for management's assessment of current conditions, forecasts of future events, and other factors deemed relevant risk factors. As a result, management has determined that the allowance for credit losses is adequate.

The Corporation writes off receivables when there is information that indicates that there is no possibility of collection. If any recoveries are made from any accounts receivable previously written off, they will be recognized in revenue. The total amount of write-offs was immaterial for the years ended December 31, 2023 and 2022.

(h) Estimates

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

(i) Grant Revenue Recognition

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

(j) Revenue Recognition

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

(1) Summary of Significant Accounting Policies, Continued

(k) Land and Property Inventory

Land and property inventory is valued at cost at the date of acquisition or at estimated fair market value at the date of donation, plus an costs incurred during the rehabilitation process.

(l) Allocation of Costs

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

(m) Contributed Services and Grants

During the years ended December 31, 2023 and 2022, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and has not been recorded.

(n) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Corporation. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

(o) Income Taxes

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

The Corporation's 51% owned subsidiary, the Company is considered a joint venture for tax purposes. Accordingly, the Corporation reports its proportionate interest in the joint venture on U.S. Forms 990.

(p) Subsequent Events

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

(1) Summary of Significant Accounting Policies, Continued

(q) Recent Accounting Standards Issued

At the beginning of 2023, the Corporation adopted Accounting Standards Codification 326, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments, as amended which modifies the measurement of expected credit losses on certain financial instruments, including rent receivables, and requires organizations to measure all expected credit losses for financial instruments based on historical experience, current conditions, and reasonable and supportable forecasts for collectability. The Corporation adopted this new standard utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Corporation's financial statements.

(r) Reclassifications

Reclassification have been made to certain 2022 balances in order to conform them to the 2023 presentation.

(2) Liquidity

The Corporation has $1,269,336 of financial assets available within one year of the consolidated statement of financial position date, consisting of $1,177,790 of cash and equivalents and $91,546 of accounts receivable at December 31, 2023. Of these financial assets $462,708 are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2023 consolidated statement of financial position.

(3) Construction Loans

The Company entered into an agreement with CPC Funding SPE 1, LLC (CPC) and New York State Housing Trust Fund Corporation (HTFC) on October 16, 2022 to provide construction financing in the amount or $1,466,661. The construction financing is composed of two components. The CPC component provides financing of up to $866,661, bears interest at 400 basis points over the sum of term Secured Overnight Financing Rate (SOFR) and an initial spread adjustment of 11 basis points (9.46% at December 31, 2023). Total CPC Funds advanced at December 31, 2023 and 2022 amounted to $201,004 and $249,062, respectively. The HTFC component provides financing up to $600,000 and bears interest at 0.50% which is to be retained by CPC as a service fee. Total HTFC funds advanced at December 31, 2023 and 2022 amounted to $66,069 and $45,000, respectively.

Upon completion of the construction and sale of properties to eligible purchasers, portions of the HTFC loan will convert to 30 year permanent financing, requiring no monthly payments, and bear interest at 0% per annum, with the unpaid principal balance being forgiven at the end of the term. No portion of the HTFC loan has been converted to permanent financing at December 31, 2023.

(4) Controlling and Noncontrolling Interests

The changes in consolidated net assets without donor restrictions, attributable to controlling and noncontrolling interest for the years ended December 31, 2023 and 2022, is as follows:

	Controlling Interest	Noncontrolling Interest	Total
Balance at December 31, 2021	$ -	-	-
Changes in net assets without donor restrictions	(12,360)	(11,876)	(24,236)
Balance at December 31, 2022	(12,360)	(11,876)	(24,236)
Changes in net assets without donor restrictions	(55,384)	(53,213)	(108,597)
Balance at December 31, 2023	$ (67,744)	(65,089)	(132,833)

(5) Net Assets With Donor Restrictions

The Corporation entered into separate agreements with Enterprise Community Partners and the NoVo Foundation to obtain funding. The funding is to be used to carry out the activities of acquiring, renovating and selling affordable homes in the City of Kingston (the City). Net assets with donor restrictions were $462,708 and $1,288,504 as of December 31, 2023 and 2022, respectively.

(6) Functional Expenses

The Corporation provides services to the City related to foreclosed properties. All expenses related to providing these services have been allocated to program services with the exception of certain components within administrative expense. Administrative expenses include professional services, general insurance and travel and conferences. Program expenses include construction and demolition costs and utilities. The allocation of expenses on a functional basis for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Program services	$ 1,311,901	907,715
Support services - management and general activities - administrative	155,494	88,309
	$ 1,467,395	996,024

(7) Commitments and Contingencies

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

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

KINGSTON CITY LAND BANK, INC. AND SUBSIDIARY
Consolidating Schedule of Financial Position
December 31, 2023

Assets	KCLB	KMLC	Eliminations	Total
Current assets:				
Cash and equivalents	$ 1,152,089	25,701	-	1,177,790
Accounts receivable	115,088	1,356	(24,898)	91,546
Investment in subsidiary	500,000	-	(500,000)	-
Prepaid expenses	8,539	-	-	8,539
Property held for resale	1,207,736	762,737	38,441	2,008,914
Total assets	$ 2,983,452	789,794	(486,457)	3,286,789
Liabilities and Net Assets				
Current liabilities - accounts payable	28,665	155,554	(24,898)	159,321
Construction loans	-	267,073	-	267,073
Total liabilities	28,665	422,627	(24,898)	426,394
Net assets:				
Without donor restrictions:				
Net assets and controlling interest	2,492,079	432,256	(461,559)	2,462,776
Noncontrolling interest	-	(65,089)	-	(65,089)
Total net assets without donor restrictions	2,492,079	367,167	(461,559)	2,397,687
With donor restrictions	462,708	-	-	462,708
Total net assets	2,954,787	367,167	(461,559)	2,860,395
Total liabilities and net assets	$ 2,983,452	789,794	(486,457)	3,286,789

KINGSTON CITY LAND BANK, INC. AND SUBSIDIARY
Consolidating Schedule of Activities
Year ended December 31, 2023

	KCLB	KMLC	Elimination	Total
Changes in net assets without donor restrictions:				
Revenue:				
Grant income	$ 550,517	-	-	550,517
Donations	23,490	-	-	23,490
Interest	7,094	-	-	7,094
Sale of property	184,230	761,025	(40,893)	904,362
Developer fees	48,410	-	(48,410)	-
Loss on disposal of property and equipment	(617)	-	-	(617)
Releases from restriction	1,175,796	-	-	1,175,796
Total revenue	1,988,920	761,025	(89,303)	2,660,642
Expenses:				
Salaries and benefits	205,952	-	-	205,952
Office supplies	15,146	-	-	15,146
Advertising	4,565	-	-	4,565
Publications	2,637	-	-	2,637
Bank charges	17	8,140	-	8,157
Developer fees	-	96,821	(48,410)	48,411
Insurance	50,219	9,159	-	59,378
Interest	-	30,913	-	30,913
Professional services	55,251	4,400	-	59,651
Meetings	6,007	-	-	6,007
Maintenance	1,237	-	-	1,237
Personnel expenses	192,578	-	-	192,578
Utilities	459	9,440	-	9,899
Due diligence	32,699	-	-	32,699
Property cost	35,694	-	-	35,694
Travel and conferences	2,275	-	-	2,275
Cost of property sold	20,926	696,586	20,521	738,033
Miscellaneous	40,893	14,163	(40,893)	14,163
Total expenses	666,555	869,622	(68,782)	1,467,395
Changes in net assets without donor restrictions	1,322,365	(108,597)	(20,521)	1,193,247
Changes in net assets with donor restrictions:				
Restricted contributions	350,000	-	-	350,000
Releases from restrictions	(1,175,796)	-	-	(1,175,796)
Changes in net assets with donor restrictions	(825,796)	-	-	(825,796)
Change in net assets	496,569	(108,597)	(20,521)	367,451
Net assets at beginning of year	2,458,218	475,764	(441,038)	2,492,944
Net assets at end of year	$2,954,787	367,167	(461,559)	2,860,395