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December 10, 2018

Board of Directors
Evansville Land Bank Corp
1 NW Martin Luther King, Room 306
Evansville, IN 47708

We have reviewed the report prepared by Evansville Land Bank Corp and opined upon by Kemper CPA Group, LLP, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Evansville Land Bank Corp of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Kemper CPA Group, LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

EVANSVILLE LAND BANK CORP

EVANSVILLE, INDIANA

FINANCIAL STATEMENTS

December 31, 2017



EVANSVILLE LAND BANK CORP

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Evansville Land Bank Corp
1 N.W. Martin Luther King Jr. Blvd.
Evansville, Indiana 47708

Report on the Financial Statements

We have audited the accompanying financial statements of Evansville Land Bank Corp (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

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. 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.

Board of Directors
Evansville Land Bank Corp

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.

Basis for Qualified Opinion

As explained in Note 1 to the financial statements, the methods used to value purchased and donated property inventory are not in accordance with accounting principles generally accepted in the United States of America. The effects on the accompanying financial statements of this departure from U.S. generally accepted accounting principles have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Evansville Land Bank Corp as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kemper CPA Group, LLP

September 18, 2018
Evansville, Indiana

Certified Public Accountants and Consultants

EVANSVILLE LAND BANK CORP
STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS	<u>2017</u>
Current Assets	
Cash	\$ 321,571
Due from City of Evansville	166,667
Property inventory	<u>79,319</u>
Total Current Assets	567,557
Total Assets	<u><u>\$ 567,557</u></u>
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	<u>\$ 14,299</u>
Total Current Liabilities	<u>14,299</u>
Net Assets	
Unrestricted	553,258
Total Liabilities and Net Assets	<u><u>\$ 567,557</u></u>

See accompanying notes.

EVANSVILLE LAND BANK CORP

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	<u>2017</u>
Unrestricted Revenues, Gains and Other Support	
Local government support	\$ 916,667
In kind donation	53,621
Other	<u>2,024</u>
Total Unrestricted Revenues,Gains and Other Support	<u>972,312</u>
Expenses	
Demolition costs	329,200
Contract staffing	112,665
Professional fees	25,948
Utilities	2,272
Insurance	5,904
Title fees	7,860
Land survey	1,557
Travel and mileage	1,609
Office supplies	797
Lawn care and debris removal	183,787
Equipment, leases, and purchases	1,158
Repairs and maintenance	643
Property taxes	311
Asbestos testing	30,711
Bank fees	68
Rent	11,000
Other	<u>347</u>
Total Expenses	<u>715,837</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>256,475</u>
Other Increases	
Transfer from Evansville Brownfields Corp	<u>296,783</u>
INCREASE IN NET ASSETS	553,258
Net Assets at Beginning of Year	0
NET ASSETS AT END OF YEAR	<u><u>\$ 553,258</u></u>

See accompanying notes.

EVANSVILLE LAND BANK CORP

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 553,258
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
(Increase)/decrease in:	
Accounts receivable	(166,667)
Property inventory	(79,319)
Increase/(decrease) in:	
Accounts payable	<u>14,299</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	321,571
NET INCREASE IN CASH	321,571
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	0
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 321,571</u></u>

EVANSVILLE LAND BANK CORP
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

In July 2016, the Evansville Brownfield Corporation, based on an agreement with of the City of Evansville, initiated activities for the Evansville Land Bank Corp (Land Bank). The Land Bank was formed to acquire, manage, maintain, protect, rent, lease, repair, alter, sell, trade, exchange or otherwise dispose of distressed real property located within the City of Evansville acquired through tax foreclosure or other methods. The purpose of acquiring properties is to return them to productive use in order to stabilize property values in neighborhoods. In March 2017, Evansville Brownfield Corporation transferred all properties obtained with Land Bank funding and \$296,783 in cash to the Land Bank.

The Land Bank receives support from the City of Evansville. The City of Evansville provides funding to the Land Bank on a monthly basis.

Basis of Accounting

Except as disclosed in the property inventory accounting policy footnote, the Land Bank prepares the financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting.

Basis of Presentation

The Land Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Land Bank had no temporarily or permanently restricted net assets at December 31, 2017.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

EVANSVILLE LAND BANK CORP
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Land Bank is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Land Bank's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Land Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Land Bank's application for exemption is currently pending with the Internal Revenue Service.

Property Inventory

Property inventory consists of unimproved residential lots and a limited number of lots with houses in need of rehabilitation. Properties are acquired through purchase at tax sales, donations and a limited number of purchases from other nonprofit organizations. Properties are held until sold or otherwise transferred.

Generally accepted accounting principles requires inventory to be carried at the lower of cost or net realizable value and that costs include all direct and indirect costs to bring inventories to their existing condition and location. In addition, generally accepted accounting principles require donated properties to be recognized as contribution revenue and inventory, valued at fair market value at the date of donation. The Land Bank uses the following methods of accounting for purchased and donated properties which differs from generally accepted accounting principles. Purchased properties are carried at acquisition cost and donated properties are carried at no value in the statement of financial position. The costs to demolish and remove purchased and donated properties are expensed as incurred. Donated properties are not recognized as contribution revenue and inventory, valued at fair market value on the date of donation. A determination of net realizable value of property inventory is not performed. The effect on the financial statements from these departures from generally accepted accounting principles is not readily determinable.

EVANSVILLE LAND BANK CORP
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 1 – Summary of Significant Accounting Policies (Concluded)

Property Inventory (Concluded)

In addition, generally accepted accounting principles requires inventory carrying costs be reduced to market value when a loss of usefulness or a reduction in selling price reduces recoverable value below cost. The accounting policies of the Land Bank depart from generally accepted accounting principles because purchased properties are carried at original acquisition cost, demolition and removal costs are expensed as incurred and no evaluation of properties is performed to determine if a lower of cost or market valuation adjustment is needed.

Cash

The Land Bank maintains deposit accounts at local financial institutions. Deposits are insured up to \$250,000 by the FDIC. At December 31, 2017, the Land Bank's cash accounts exceeded federally insured limits by approximately \$73,000.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Date of Management's Review

The Land Bank has evaluated subsequent events through September 18, 2018, the date which the financial statements were available to be issued.

EVANSVILLE LAND BANK CORP
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 2 – In Kind Donation

In kind donations consists of amounts paid by the City of Evansville on behalf of the Land Bank for the year ended December 31, 2017, is as follows:

	2017
Rent	11,000
Salary	42,621
	\$ 53,621

Note 3 – Functional Classification of Expenses

Expense by function for the years ended December 31, 2017 were as follows:

	2017
Program services	\$ 709,444
Supporting services	
Management and general	6,393
	\$ 715,837

Note 4 – Transfer

In July 2016, Evansville Brownfields Corporation, based on an agreement with of the City of Evansville, initiated activities for the Evansville Land Bank (Land Bank). The Land Bank was formed to acquire, manage, maintain, protect, rent, lease, repair, alter, sell, trade, exchange or otherwise dispose of distressed real property located within the City of Evansville acquired through tax foreclosure or other methods. The intent of the agreement was for Evansville Brownfields Corporation to transfer ownership of properties purchased with Land Bank funds to the Land Bank Corp. On March 1, 2017, Evansville Brownfields Corporation transferred properties and \$296,783 in cash to the Land Bank. This transfer has been recorded on the Statement of Activities as an other increase.

EVANSVILLE LAND BANK CORP
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 5 – Related Party

The Board of Directors (Board) is comprised of nine members. Three of the directors are appointed by the Mayor, three of the directors are appointed by the City Council, one director is appointed by the Vanderburgh County Treasurer, the Executive Director of the Department of Metropolitan Development of the City, will serve as a director and one director will be appointed by the board of directors. The City provides all of the grant funding received by the Land Bank. At December 31, 2017 amounts due from the City was \$166,667. These amounts appear on the statement of financial position as due from the City of Evansville.

Note 6 – Commitment

On December 15, 2017, the Land Bank contracted for round three of demolitions. The project has an anticipated total cost of approximately \$191,000. As of December 31, 2017 no demolitions have started.