

LEXINGTON COMMUNITY LAND TRUST, INC.
LEXINGTON, KENTUCKY

AUDITED FINANCIAL STATEMENTS

YEARS ENDED

JUNE 30, 2012

*HICKS & ASSOCIATES CPAS, PLLC
CERTIFIED PUBLIC ACCOUNTANTS*

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Hicks & Associates CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lexington Community Land Trust, Inc.
Lexington, Kentucky

We have audited the accompanying statements of financial position of the Lexington Community Land Trust, Inc. (Organization) as of June 30, 2012, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Hicks & Associates CPAs, PLLC

January 7, 2013

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LEXINGTON COMMUNITY LAND TRUST, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS	
CURRENT ASSETS	
Cash	\$ 408,869
Accounts receivable	62
Prepaid expenses	275
TOTAL CURRENT ASSETS	<u>409,206</u>
PROPERTY AND EQUIPMENT, NET	1,026
OTHER ASSETS	
Restricted cash	250,000
TOTAL ASSETS	<u><u>660,232</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 200
Accrued liabilities	2,172
Income taxes payable	375
Deferred income	250,000
TOTAL CURRENT LIABILITIES	<u>252,747</u>
NET ASSETS	
Temporarily resrticted	250,000
Unrestricted	157,485
TOTAL NET ASSETS	<u>407,485</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>660,232</u></u>

See Notes to Financial Statements.

LEXINGTON COMMUNITY LAND TRUST, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

SUPPORT AND OTHER REVENUE	
Grants	\$ 250,000
Interest income	1,514
TOTAL REVENUES	251,514
EXPENSES	
Accounting fees	1,490
Advertising	22
Audit expense	1,875
Board development	904
Community building	2,023
Depreciation expense	231
Dues & subscriptions	275
Fees, permits, & licenses	1,257
Insurance	2,782
Office expense	4,281
Payroll tax expense	5,022
Professional development	1,778
Salaries and employee benefits	66,717
Staffing expenses	1,365
Travel	172
TOTAL EXPENSES	90,194
CHANGE IN NET ASSETS	161,320
NET ASSETS, BEGINNING OF YEAR	246,165
NET ASSETS, END OF YEAR	\$ 407,485

See Notes to Financial Statements.

LEXINGTON COMMUNITY LAND TRUST, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets:	\$ 161,320
Adjustments to reconcile net changes from operating activities:	
Depreciation	231
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(62)
Prepaid expenses	(275)
Increase (decrease) in:	
Accounts payable	200
Accrued liabilities	2,172
Income tax liability	375
NET CHANGE FROM OPERATING ACTIVITIES	163,961
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(1,257)
NET CHANGE FROM INVESTING ACTIVITIES	(1,257)
NET CHANGE IN CASH	162,704
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	496,165
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 658,869
Cash paid for income taxes during the year	\$ -

See Notes to Financial Statements.

LEXINGTON COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS AND ACCOUNTING POLICIES

Nature of Business

The Organization is a non-profit organization receiving initial funding for operations in its first five years through the Newtown Pike Extension Project's mitigation efforts. The Newtown Pike Extension is a federally funded road project executed by the Lexington-Fayette Urban County Government (LFUCG) and overseen by the Kentucky Transportation Cabinet. The Organization was formed in November, 2008, and conducts business in Lexington, KY.

The Organization's mission is to steward the land and to manage and preserve the affordability of housing in the redeveloped mitigation area of the Newtown Pike Extension area; and elsewhere in greater Lexington and Fayette County in the future.

Basis of Financial Statements

The accompanying financial statements have been prepared on the accrual basis of accounting. The Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Tax Status

The Organization is pending exemption from federal income taxes and is currently awaiting approval to be tax exempt under Section 501(c)(3) of the Internal Revenue Code. It is, however, subject to income taxes on "unrelated business income", of which management has determined there was none for the year ending June 30, 2012. Due to exempt status delay, the Organization did have to file state and local taxes during the year ended June 30, 2012, and had \$375 in taxes and licenses outstanding at year end.

As of June 30, 2012, the Organization has no uncertain tax positions that qualify for disclosure in the financial statements. Tax years still open under federal and state statute of limitations remain subject to review and change.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could vary from the estimates that were used.

Accounts Receivable

Management considers all accounts receivable to be fully collectible; accordingly, the allowance for doubtful accounts is \$0 for 2012. If accounts become uncollectible, they will be charged to the change in net assets during the period determined not to be collectible.

LEXINGTON COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS AND ACCOUNTING POLICIES - continued

Property and Equipment

Fixed assets are reported at cost, if purchased and at fair market value on the date of gift, if donated. Depreciation is calculated on the straight-line method as follows:

Office furniture and equipment	5-7 Years
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Depreciation expense was \$231 for the year ended June 30, 2012.

Contributed Services

During the period ending June 30, 2012, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Restricted Cash

The Organization received \$500,000 in grant money from LFUCG during the year ended June 30, 2012. \$250,000 of the \$500,000 given during the year is intended for the fiscal year ending June 30, 2013. As of June 30, 2012, this money is classified as temporarily restricted and is deferred until the June 30, 2013 fiscal year begins.

NOTE B - LFUCG Grant

In an agreement dated April 26, 2010, the Organization was rewarded grant monies in the amount of \$250,000 for the next five years intended for program use and operating costs associated with carrying out the Organization's mission. The money is funded by LFUCG through the approval of the Commonwealth of Kentucky Transportation Cabinet- Department of Highways for the Newtown Pike Extension Project. As of June 30, 2012, the Organization has received three separate installments of \$250,000. Total grant revenue recognized during the year ended June 30, 2012 was \$250,000.

NOTE C - CONTINGENCIES

Concentration of Revenue

For the first five years of operation, until housing program revenue begins, the Organization is dependent upon the funds distributed by LFUCG to cover all expenses that it incurs. The Organization derived 100% of its revenue from the funds distributed by the LFUCG for the year ended June 30, 2012.

NOTE D - DATE OF MANAGEMENT'S REVIEW

The Organization's subsequent events have been evaluated by management through January 7, 2013, which is the date the financial statements were available to be issued.

LEXINGTON COMMUNITY LAND TRUST, INC.
LEXINGTON, KENTUCKY

SUPPLEMENTAL INFORMATION

JUNE 30, 2012

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

Board of Directors
Lexington Community Land Trust, Inc.
Lexington, Kentucky

We have audited the financial statements of the Lexington Community Land Trust, Inc. ("Organization") as of and for the year ended June 30, 2012, and have issued our report thereon dated January 7, 2013. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's financial statements are free of 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 audits, 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*.

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)

We noted certain matters that we reported to management of the Organization in a separate letter.

This report is intended solely for the information and use of the board of directors, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hicks & Associates CPAs, PLLC

January 7, 2013

LEXINGTON COMMUNITY LAND TRUST, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

	<u>QUESTIONED COSTS</u>
NONE	\$ <u> </u>