

**AUDITED
BASIC FINANCIAL STATEMENTS**

ROCHESTER LAND BANK CORPORATION

JUNE 30, 2020

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ROCHESTER LAND BANK CORPORATION
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the
Rochester Land Bank Corporation
Rochester, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Rochester Land Bank Corporation, (the Corporation), a component unit of the City of Rochester, New York, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation'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 Corporation'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2020 and 2019, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Rochester, New York
September 10, 2020

As management of the Rochester Land Bank Corporation, we offer readers of the Rochester Land Bank Corporation's (the Corporation) financial statements this narrative overview and analysis of the financial activities of the Rochester Land Bank Corporation for the fiscal year ended June 30, 2020.

Financial Highlights

+ The assets of the Rochester Land Bank Corporation exceeded its liabilities at the close of the most recent fiscal year by \$1,215,197 (*net position*). Of this amount, \$1,215,197 (*unrestricted net position*) may be used to meet the Rochester Land Bank Corporation's ongoing EDA grant obligations.

+ The Rochester Land Bank Corporation's total assets are comprised primarily of grant proceeds received from the Community Revitalization Initiative ("CRI") grant program offered through the New York State Office of the Attorney General. The New York State Office of the Attorney General awarded the Rochester Land Bank Corporation four grants. The first grant in the amount of \$2,780,942 had a term of 24 months commencing January 1, 2014 through December 31, 2015. The second grant in the amount of \$1,864,820 had a term of 24 months commencing January 1, 2015 through December 31, 2016. The third grant in the amount of \$1,500,000 has a term of 24 months commencing January 1, 2017 through December 31, 2018. The fourth grant in the amount of \$1,300,000 has a term of 24 months commencing January 1, 2019 through December 31, 2020. The term of the fourth grant has been modified to increase the amount by \$610,000, and extend the term through June 30, 2021. The Rochester Land Bank Corporation utilizes the grant funding to supplement the City's investments in transforming vacant properties into affordable owner-occupied housing, develop new infill housing for homeownership in strategic project areas, demolish blighted structures, and fund certain staffing positions. The Rochester Land Bank Corporation has executed agreements with the Rochester Housing Development Fund Corporation (RHDFC), the Greater Rochester Housing Partnership (GRHP), the City of Rochester in the form of a Share Services agreement to implement partnerships to fulfill the "CRI" grant initiatives, and various other partners.

Additionally, the Rochester Land Bank Corporation was awarded a \$450,000 grant administered by Enterprise Community Partners, Inc. for the Neighbors for Neighborhoods Program (a/k/a N4N Project). The N4N Project allows properties acquired by the Rochester Land Bank Corporation to be transferred to qualified landlords for the purpose of rehabilitation for subsequent household rental.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Rochester Land Bank Corporation's basic financial statements. The Rochester Land Bank Corporation's basic financial statements comprise two components: 1) corporation-wide financial statements and 2) notes to the financial statements.

Corporation-wide financial statements. The *corporation-wide financial statements* are designed to provide readers with a broad overview of the Rochester Land Bank Corporation's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Rochester Land Bank Corporation's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Rochester Land Bank Corporation is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* presents information showing how the Corporation's net assets changed during the most recent fiscal year. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The corporation-wide financial statements can be found on pages immediately following this section.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the corporation-wide financial statements. The notes to the financial statements can be found following the Basic Financial Statements section of this report.

Corporation-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Rochester Land Bank Corporation, assets exceed liabilities by \$1,215,197 at the close of the most recent fiscal year. The Rochester Land Bank Corporation’s net position consists primarily of grant proceeds.

Rochester Land Bank Corporation’s Net Position

| | <u>2020</u> | <u>2019</u> |
|--------------|--------------------|---------------------|
| Assets | \$1,245,854 | \$ 1,528,716 |
| Liabilities | <u>30,657</u> | <u>143,573</u> |
| Net position | <u>\$1,215,197</u> | <u>\$ 1,385,143</u> |

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|--------------------|---------------------|
| Operating Revenues | \$ 980,911 | \$ 1,931,377 |
| Operating Expenses | <u>1,150,857</u> | <u>1,438,826</u> |
| Change in net position | (169,946) | 492,551 |
| Net position – beginning of year | <u>1,385,143</u> | <u>892,592</u> |
| Net position – end of year | <u>\$1,215,197</u> | <u>\$ 1,385,143</u> |

Financial Analysis of the Corporation’s Funds

Unrestricted Funds. The unrestricted funds consists primarily of the grant proceeds from the Community Revitalization Initiative (“CRI”) grant proceeds offered through the New York State Office of the Attorney General, and the Neighbors for Neighborhoods grant (N4N Project) administered through Enterprise Community Partners, Inc.

Economic Factors

Non-farm employment in New York State decreased by 15.1% from June 2019 to June 2020. New York State lost (-1,407,400) private sector jobs (-16.8.5%) from June 2019 to June 2020. Private sector jobs in the Rochester metropolitan area decreased over the year by (-66,000), or (-14.2%), to 397,800 in June 2020. Losses were concentrated in leisure and hospitality (-22,700), accommodation and food services (-17,700), and food services and drinking places (-16,600). Small gains were concentrated in federal and state government (+500). In New York State leisure and hospitality decreased by (-50.7%) losing (-510,900) jobs, representing the most jobs lost of any major industry sector over the last year. Sector job losses were also seen in trade, transportation and utilities (-17.3%), losing (-269,700), professional and business services (-13.0%) losing (-180,600), and education and health services (-8.0%) losing (-167,800).

As of June 2020, the primary labor force segment of the Rochester Metropolitan area’s civilian labor force continued to be education and health services (25.8%), followed by government (15.6%), professional and business services (14.2%). Trade, transportation and utilities also constituted (14.2%), while manufacturing jobs constituted (10.3%), and leisure and hospitality (5.9%).

The unemployment rate for the Rochester metro area was 11.0% as of May 2020 (increase from 3.7% as of May 2019). This compares to the unemployment rate for New York State of 14.5% as of May 2020 (increase from 4.0% at May 2019), and for the nation of 13.0% as of May 2020 (increase from 3.4% as of May 2019).

We are aware however, that in certain parts of the City of Rochester the unemployment rate for some populations may be as high as 40%. The overall poverty rate for the city improved slightly from 33% to 32.6%, which ranks us 3rd poorest among the top 75 metropolitan areas, and 1st poorest in the US for cities of our size. In the nine-county Rochester region (1,205,941 population, 157,030 in poverty), 41% of the people in poverty live in the City of Rochester.

The top five largest employers in the Rochester area are University of Rochester/Strong Medical Center, Rochester Regional Health System, Wegmans Food Markets, Inc., Paychex Inc., and Rochester Institute of Technology. UR/SMC continues to be the largest employer, as the Rochester region economy continues to transition from an economy which was heavily based on manufacturing decades ago to one with a greater emphasis on education, health services, and professional/business services. The University of Rochester was responsible for 29,820 jobs. A significant share of the University's growth has occurred at the University of Rochester Medical Center as Strong Health extends clinical service penetration beyond the metropolitan area and URMC expands its research facilities and total employment.

The World Health Organization (WHO) first declared COVID-19 a world health emergency in January 2020. On March 11, 2020 the WHO announced that the viral outbreak was officially a pandemic, the highest level of health emergency. Since then, the emergency has evolved into a global public health and economic crisis that has affected the global economy beyond anything experienced in nearly a century. Governments are attempting to balance often-competing policy objectives between addressing the public health crisis and economic considerations. The COVID-19 pandemic is not expected to have a structural impact on the Rochester Land Bank Corporation. Its impact may however affect the Rochester Land Bank Corporation's ability to acquire foreclosure properties from the City of Rochester's annual tax foreclosure auction, as the Governor of New York State has issued an executive order restricting the filing of new foreclosure actions.

In its July 29, 2020 policy statement and subsequent press conference, the U.S. Federal Open Market Committee (FOMC) indicated that the rise in COVID-19 cases in the United States since mid-June was weighing down economic growth and that, "The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term." As a result, the focus of government policy expanded from a health crisis to macroeconomic and financial market issues that are addressed through a combination of monetary, fiscal, and other policies, including border closures, quarantines, and restrictions on social interactions.

Fiscal and monetary policies have been adopted to date to address the immediate impact of the health crisis compared with the mix of such policies between assisting households, firms, or state and local governments that may be needed going forward should the health and economic crises persist. The prime rate of interest decreased from 5.25% a year ago, to the current rate of 3.25% as the Federal Open Markets Committee (FOMC) target range for the federal funds rate is 0%-0.25%. Long term rates are expected to remain below 1.0%, given how uncertain the progress of the economy's recovery will be.

Requests for Information

This financial report is designed to provide a general overview of the Rochester Land Bank Corporation's finances for all those with an interest in the corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Rochester Land Bank Corporation, City Hall – Room 125B, 30 Church Street, Rochester, NY 14614.

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ROCHESTER LAND BANK CORPORATION
(A COMPONENT UNIT OF THE CITY OF ROCHESTER, NEW YORK)
STATEMENTS OF NET POSITION
JUNE 30,

| ASSETS | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 1,087,600 | \$ 1,528,716 |
| Due from City of Rochester | <u>158,254</u> | <u>-</u> |
| Total assets | <u>1,245,854</u> | <u>1,528,716</u> |
| LIABILITIES AND NET POSITION | | |
| Current liabilities: | | |
| Accounts payable | 1,481 | 19,054 |
| Due to City of Rochester | <u>29,176</u> | <u>124,519</u> |
| Total liabilities | <u>30,657</u> | <u>143,573</u> |
| Net position: | | |
| Unrestricted | <u>\$ 1,215,197</u> | <u>\$ 1,385,143</u> |

See notes to basic financial statements.

ROCHESTER LAND BANK CORPORATION
(A COMPONENT UNIT OF THE CITY OF ROCHESTER, NEW YORK)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30,

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|---------------------|---------------------|
| Operating revenues: | | |
| NYS grant | \$ 729,948 | \$ 853,086 |
| City of Rochester grant | - | 225,000 |
| Sale of real estate | <u>250,963</u> | <u>853,291</u> |
| Total operating revenues | <u>980,911</u> | 1,931,377 |
| Operating expenses: | | |
| Acquisition costs | 311,601 | 282,950 |
| Renovation and construction | 564,797 | 901,664 |
| Salary and benefits | 90,562 | 178,774 |
| Demolition | 165,225 | 51,975 |
| Professional services | 7,141 | 13,047 |
| Other expenses | <u>11,531</u> | <u>10,416</u> |
| Total operating expenses | <u>1,150,857</u> | <u>1,438,826</u> |
| Change in net position | (169,946) | 492,551 |
| Net position - beginning | <u>1,385,143</u> | <u>892,592</u> |
| Net position - ending | <u>\$ 1,215,197</u> | <u>\$ 1,385,143</u> |

See notes to basic financial statements.

ROCHESTER LAND BANK CORPORATION
(A COMPONENT UNIT OF THE CITY OF ROCHESTER, NEW YORK)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash received from grants | \$ 571,694 | \$ 1,081,176 |
| Cash received from sale of real estate | 250,963 | 853,291 |
| Payments to service providers | (1,171,565) | (1,155,204) |
| Payments for employee services | (92,208) | (272,417) |
| Net cash provided (used) by operating activities | <u>(441,116)</u> | <u>506,846</u> |
| Net increase (decrease) in cash and cash equivalents | (441,116) | 506,846 |
| Cash and cash equivalents - beginning | <u>1,528,716</u> | <u>1,021,870</u> |
| Cash and cash equivalents - ending | <u>\$ 1,087,600</u> | <u>\$ 1,528,716</u> |
| Reconciliation of change in net position to net cash provided (used) by operating activities: | | |
| Change in net position | \$ (169,946) | \$ 492,551 |
| Change in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Due from New York State | - | 3,090 |
| Due from City of Rochester | (158,254) | - |
| Increase (decrease) in: | | |
| Accounts payable | (17,573) | 6,775 |
| Due to City of Rochester | (95,343) | 4,430 |
| Net cash provided (used) by operating activities | <u>\$ (441,116)</u> | <u>\$ 506,846</u> |

See notes to basic financial statements.

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ROCHESTER LAND BANK CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Rochester Land Bank Corporation (the "Corporation") is a public authority and not-for-profit corporation formed under Article 16 of the Not-for-Profit Corporation Law (the "Land Bank Act"). On November 14, 2012, by Ordinance Number 2012-416, the Rochester City Council approved the formation of a land bank pursuant to Section 1603(a) of the Land Bank Act. On February 21, 2013, the New York State Urban Development Corporation approved the creation of a land bank by the City of Rochester (the "City") pursuant to Section 1603(g) of the Land Bank Act. On August 9, 2013, the City filed the Corporation's Certificate of Incorporation pursuant to Section 1603(a)(5) of the Land Bank Act.

The Land Bank Act, enacted as Chapter 257 of the Laws of 2011, authorizes the creation of land banks to acquire vacant, abandoned, and tax delinquent properties in order to facilitate their return to productive use. The mission of the Corporation is to return underutilized property to productive use, preserve and create quality housing, enhance the quality of life within neighborhoods, and encourage economic opportunities in the City of Rochester. The Corporation's acquisition, management, and disposition of vacant, abandoned, and tax delinquent properties is conducted in a manner that supports that mission in alignment with the City of Rochester's redevelopment strategies, goals and objectives.

There are seven members of the Board of Directors, five *ex officio* members, and two appointed members who serve three-year terms.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues, expenses, gains, and losses are classified into three classes of net position - restricted, unrestricted and net investment in capital assets - which are displayed in the statement of net position.

B. NET POSITION

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation. The Corporation has no net position in this class.
- b. Restricted net position - Consists of net position with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Corporation has no net position in this class.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

C. RECEIVABLES

Receivables are reported at their net realizable value. Generally accepted accounting principles in the United States of America require the establishment of an allowance for uncollectible receivables, however, no allowance for uncollectible receivables has been provided since management believes that such allowance would not be necessary.

D. INCOME TAXES

The Corporation is a Public Benefit Corporation of the State of New York and is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been made on the accompanying financial statements.

ROCHESTER LAND BANK CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include certificates of deposit which mature within ninety (90) days of issuance.

F. USE OF ESTIMATES IN PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2020, the Corporation has evaluated the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements* and Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61* and determined that they have no significant impact on the Corporation's financial statements.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the Corporation, for their potential impact in future years.

- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending June 30, 2022.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2023.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending June 30, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which will be effective for the year ending June 30, 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending June 30, 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending June 30, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending June 30, 2022.

On May 8, 2020, the GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* in response to the COVID-19 pandemic. The effective dates of GASB Statements not yet implemented by the Corporation have been updated above to reflect the impact of this Statement.

NOTE 3. DETAILS ON TRANSACTION CLASSES/ACCOUNTS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled \$1,087,600 and \$1,528,716 at June 30, 2020 and 2019, respectively. The Corporation's investment policies are governed by State statutes. The Corporation's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and municipalities and school districts.

ROCHESTER LAND BANK CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

Investment and Deposit Policy

The Corporation currently follows an investment and deposit policy as directed by State statutes, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Board of Directors.

The Corporation's bank balances were fully collateralized at June 30, 2020 and 2019.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits.

B. TRANSACTIONS WITH CITY OF ROCHESTER

Throughout the year the City of Rochester will disburse funds for vendors and payroll and the Corporation will reimburse them accordingly. Amounts due to the City of Rochester are as follows for the years ended June 30:

| | <u>2020</u> | <u>2019</u> |
|--------------------------|------------------|-------------------|
| Construction/acquisition | \$ <u>6,303</u> | \$ 100,000 |
| Salary and benefits | <u>22,873</u> | <u>24,519</u> |
| Total | <u>\$ 29,176</u> | <u>\$ 124,519</u> |

As of the date of these financial statements, all amounts owed to the City of Rochester have been repaid.

In addition, the City of Rochester acts as a pass-through agency for certain grant funding. Due to the processing time, that funding may not be remitted to the Corporation until after the fiscal year end. Amounts owed to the Corporation from the City of Rochester are as follows for the years ended June 30:

| | <u>2020</u> | <u>2019</u> |
|-----------|-------------------|-------------|
| NYS grant | \$ <u>158,256</u> | \$ - |

C. CONTINGENCIES

Grants – In the normal course of operations, the Corporation receives grant funds from various State and Local agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the Corporation. While the amount of any expenditures which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

ROCHESTER LAND BANK CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

Other – The World Health Organization (WHO) first declared COVID-19 a world health emergency in January 2020. On March 11, 2020 the WHO announced that the viral outbreak was officially a pandemic, the highest level of health emergency. Since then, the emergency has evolved into a global public health and economic crisis that has affected the global economy beyond anything experienced in nearly a century. Governments are attempting to balance often-competing policy objectives between addressing the public health crisis and economic considerations. The COVID-19 pandemic is not expected to have a structural impact on the Rochester Land Bank Corporation. Its impact may however affect the Rochester Land Bank Corporations ability to acquire foreclosure properties from the City of Rochester’s annual tax foreclosure auction, as the Governor of New York State has issued an executive order restricting the filing of new foreclosure actions.

NOTE 4. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after September 10, 2020 which is the date these financial statements were available to be issued.

INTERNAL CONTROLS AND COMPLIANCE

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**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rochester Land Bank Corporation
Rochester, New York

We have audited, 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, the financial statements of the Rochester Land Bank Corporation, (the Corporation), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 10, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Rochester, New York

September 10, 2020