

**WILMINGTON NEIGHBORHOOD
CONSERVANCY LAND BANK CORPORATION**
(A Component Unit of the City of Wilmington, Delaware)

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2019 AND 2018

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION

(A Component Unit of the City of Wilmington, Delaware)

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Independent Auditors' Report

To the Board of Directors
Wilmington Neighborhood Conservancy Land Bank Corporation

We have audited the accompanying financial statements of Wilmington Neighborhood Conservancy Land Bank Corporation (Land Bank), a component unit of the City of Wilmington, Delaware, as of and for the years ended December 31, 2019 and 2018, 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.

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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Land Bank'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

To the Board of Directors
Wilmington Neighborhood Conservancy Land Bank Corporation

expressing an opinion on the effectiveness of the Land Bank'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 Land Bank as of December 31, 2019 and 2018, and the changes in its 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 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 January 19, 2020 on our consideration of the Land Bank's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and agreements, and other matters. The purpose of that report is

To the Board of Directors
Wilmington Neighborhood Conservancy Land Bank Corporation

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 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 Land Bank's internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

January 19, 2021
Wilmington, Delaware

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Our discussion and analysis of the financial performance of the Wilmington Neighborhood Conservancy Land Bank Corporation (Land Bank), a component unit of the City of Wilmington, Delaware, provides an overview of the Land Bank's significant financial activities for the years ended December 31, 2019 and 2018. Please read it in conjunction with the financial statements, which begin on page 9, for a comprehensive understanding of the reports.

FINANCIAL HIGHLIGHTS

The year ended December 31, 2017 was the first full year of the Land Bank's operations. This caused a significant increase in all areas of the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

During the year ended December 31, 2019, the Land Bank's assets decreased \$1,119,449 and liabilities increased \$97,360.

During the year ended December 31, 2019, the Land Bank's unrestricted net position decreased \$1,582,124, restricted net position decreased \$83,948.

During the year 2019, the Land Bank's activities significantly increased causing a rise in expenses and operations as a result of the following components:

- An increase in properties acquired, sold, demolished, and held for future development.
- A workforce development partnership with the Central Baptist Church CDA employing local workforce to maintain all Land Bank properties.
- A more focused strategy in conjunction with the City of Wilmington with targeted acquisitions and demolitions.
- Additional staff with specific skills in the nonprofit affordable housing industry streamlining day-to-day activities.
- Greater and more diverse marketing activities of the Land Bank's programs through monthly events partnering with the City of Wilmington, business seminars, community meetings, an updated website, and one-on-one detailed instruction.
- The introduction of the "Investor Rehab for Homeownership" and Homestead programs.
- Ongoing Delaware State Housing Authority grants and additional for-profit and nonprofit partnerships with focused objectives.
- The move to an easily accessible, visible store-front location in the heart of the City of Wilmington.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2019

USING THIS FINANCIAL REPORT

The discussion and analysis is intended to serve as an introduction to the basic financial statements of the Land Bank. The annual financial report is comprised of two components: management's discussion and analysis and the basic financial statements (including related notes to the financial statements).

The financial statements are designed to provide readers with a broad overview of the finances of the Land Bank in a manner similar to private-sector business. These statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units on the accrual basis. Under this basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period they are incurred.

The Land Bank is a 501(c)(3) nonstock corporation; however, it meets the definition of a governmental entity for financial reporting purposes. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Statement of Net Position - Presents information on all of the Land Bank's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the Land Bank's net position are indicators of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Land Bank, consideration of nonfinancial factors such as the Land Bank's ability to continue receiving funding from the City of Wilmington, other governmental agencies, corporate contributors, and City Council's continued intent to transfer properties into the Land Bank inventory.

The Statement of Revenues, Expenses, and Net Position - Presents information on how the Land Bank's net position is derived. All revenue and expenses pertaining to the years ended December 31, 2019 and 2018 are taken into consideration regardless of when cash is received or paid.

The Statement of Cash Flows - Provides information about the sources and uses of cash during the year resulting from operating, investing, capital, and related financial activities.

BASIC FINANCIAL STATEMENTS

The Land Bank's audited Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows are presented on pages 9 through 11.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2019

BASIC FINANCIAL STATEMENTS - CONTINUED

The Land Bank's net position as of December 31, 2019, 2018, and 2017 consisted of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash and Cash Equivalents	\$ 842,846	\$ 1,731,405	\$ 2,217,629
Receivables	345,420	459,000	459,000
Property Held For Sale, Net	276,600	113,308	42,000
Property Acquisition Deposit	-	16,819	24,010
Other Assets	19,146	79	1,391
Property Held for Future Use, Net	42,300	350,613	490,000
Capital Assets, Net	<u>25,463</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>1,551,775</u>	<u>2,671,224</u>	<u>3,234,030</u>
LIABILITIES			
Accounts Payable	\$ 38,037	\$ 26,193	\$ 1,123
Accrued Liabilities	79,453	-	-
Prepaid Deposit	4,000	-	-
Accrued Payroll	<u>7,477</u>	<u>5,414</u>	<u>-</u>
TOTAL LIABILITIES	<u>128,967</u>	<u>31,607</u>	<u>1,123</u>
NET POSITION			
Net Investment in Capital Assets	25,463	-	-
Restricted	339,851	423,799	2,732,907
Unrestricted	<u>1,057,494</u>	<u>2,215,818</u>	<u>500,000</u>
TOTAL NET POSITON	<u>1,422,808</u>	<u>2,639,617</u>	<u>3,232,907</u>
TOTAL LIABILITIES NET POSITON	<u>\$ 1,551,775</u>	<u>\$ 2,671,224</u>	<u>\$ 3,234,030</u>

The Land Bank's accounts payable as of December 31, 2019 and 2018 primarily consist of charges on properties owned by the Land Bank.

The Land Bank has \$339,851 and \$423,799 of restricted net position as of December 31, 2019 and 2018, respectively. These funds, received from corporate contributors, are restricted to specific projects and purposes.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2019

BASIC FINANCIAL STATEMENTS - CONTINUED

Change in Net Position - The Land Bank's change in net position for the years ended December 31, 2019, 2018, and 2017 consisted of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUES			
Operating Revenue			
Government Grants	\$ 404,874	\$ 133,554	\$ 1,565,000
Corporate Contributions	-	60,600	1,532,400
Contributed Property	452,045	254,500	695,000
Redemption Income	-	4,800	-
Sale of Property	291,012	13,558	-
Nonoperating Revenue			
Interest Income	<u>1,683</u>	<u>985</u>	<u>736</u>
TOTAL REVENUES	<u><u>\$ 1,149,614</u></u>	<u><u>\$ 467,997</u></u>	<u><u>\$ 3,793,136</u></u>
EXPENSES			
Property Maintenance Costs	\$ 393,712	\$ 186,600	\$ 22,153
Property Grants	222,560	-	120,000
Personnel	284,873	128,794	103,571
Cost of Property Sold	362,383	42,000	255,467
Subsidy Allowance on Properties Held	901,286	563,248	-
Rent	18,832	11,052	8,400
Contract Services	121,347	109,323	99,449
Administrative	32,873	5,699	2,228
Depreciation	4,493	-	-
Insurance	<u>24,064</u>	<u>14,571</u>	<u>6,084</u>
TOTAL EXPENSES	2,366,423	1,061,287	617,352
NET POSITION - Beginning of Year	<u>2,639,617</u>	<u>3,232,907</u>	<u>57,123</u>
NET POSITION - End of Year	<u><u>\$ 1,422,808</u></u>	<u><u>\$ 2,639,617</u></u>	<u><u>\$ 3,232,907</u></u>

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2019

BASIC FINANCIAL STATEMENTS - CONTINUED

Change in Net Position - Continued

During 2019 the Land Bank undertook the following activities resulting in a significant increase in operating expenses:

- Returned **42** blighted parcels back to productive as compared to **9** units in 2018:
 - Investor Rehab for Homeownership: **21** units
 - Nonprofit Joint Venture Affordable Housing Projects: **7** units
 - Homestead: **7** units
 - Side Lots: **7** parcels

- Demolished **9** structurally unsound units totaling **\$456,000** restoring safety to the surrounding community:
- Restored vacant parcels as a valuable benefit to the neighborhood creating **14** Community Gardens.
- Awarded a Delaware State Housing Authority Strong Neighborhood Housing Funds in the amount of **\$645,000** partnering with Cinnaire, Delaware Valley Development Corporation, and the City of Wilmington's REH Department for the revitalization of West Center City.
- Ninth Street Revitalization Project: Funded **\$500,000** by JPMorgan Chase for acquisition and subsidy of **6** rehabilitated units on the 800 block of W 9th Street, the Trinity Vicinity, partnering with the National Community Reinvestment Coalition. Additionally, completed an MOU with Interfaith Community Housing for the construction of **3** adjacent homes.
- In April 2019, WNCLB and the Central Baptist Church CDC joined forces to create a **workforce development** program to employ the local residents of the East Side community responsible for WNCLB property maintenance. WNCLB funds **8** full-time City residents and the maintenance program which oversees **260** properties including the City of Wilmington and select Habitat for Humanity, NCC parcels.
- Collaborated with the **National Community Reinvestment Coalition (NCRC)**, based in Washington DC., to create affordable housing projects by purchasing, holding, and transferring **10** units and employing City residents.

During 2017, the Land Bank commenced operations resulting in a significant increase in operating expenses as compared to 2016. The Land Bank incurred the following significant operating expenses:

- A grant to the Wilmington Housing Partnership for emergency demolition of dilapidated structures.
- Hiring of a full-time Executive Director to oversee the Land Bank's operations.
- Subsidy allowance on property held to report the estimated net realizable value of property held at December 31, 2017 based on expected discounted disposal prices to achieve program objectives.
- The City of Wilmington, Delaware donated services totaling \$65,000 to support operations during 2017.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2019

BASIC FINANCIAL STATEMENTS - CONTINUED

Change in Net Position - Continued

The majority of the 2017 revenue consisted of grants totaling \$1,565,000 from the City of Wilmington, Delaware and \$1,532,400 of corporate contributions. The Land Bank also received 91 parcels from the City of Wilmington, Delaware during 2017. During 2016, the Land Bank received grants from the City of Wilmington, Delaware and corporate contributions for the costs incurred to form the organization.

Funding - In the year 2019 and operating at a higher capacity level, the Land Bank had limited income. The sources of revenue came from three primary sources: The Delaware State Housing Authority's Strong Neighborhood Fund, a JPMorgan Chase grant, property sales, and the City of Wilmington's contributed property revenue.

The Land Bank has entered a ten-year Memorandum of Understanding with the City of Wilmington, Delaware that includes a nonbinding \$1,500,000 annual funding intent. This funding intent was made to support the Land Bank's initial startup and operations for the ten-year period. The Land Bank is responsible for acquiring additional funding through other governmental agencies and through private and charitable sources.

Of primary concern, however, is the long-term viability of the ten-year Memorandum of Understanding with the City of Wilmington, Delaware. The Land Bank did not receive City funds in 2018 or 2019. During 2020, the Land Bank received a \$1,000,000 grant from the City of Wilmington Delaware to support operations.

Notes to the Financial Statements - The notes to the financial statements are an integral part of the statements and should be thoroughly read for a complete detailed understanding of the financial position and activities of the Land Bank.

Requests for Information - This financial data is designed to provide a general overview of the Land Bank's finances for all those with an interest in the Land Bank's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Wilmington Neighborhood Conservancy Land Bank Corporation, 404 N. Market Street, Wilmington, Delaware 19801.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 842,846	\$ 1,731,405
Government Grants Receivable	145,420	59,000
Corporate Contributions Receivable	200,000	400,000
Property Available for Sale, Net	276,600	113,308
Property Acquisition Deposit	-	16,819
Other Assets	19,146	79
	1,484,012	2,320,611
NONCURRENT ASSETS		
Property Held for Future Use, Net	42,300	350,613
Capital Assets, Net	25,463	-
	67,763	350,613
	1,551,775	2,671,224
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 38,037	\$ 26,193
Accrued Liabilities	79,453	-
Prepaid Deposit	4,000	-
Accrued Payroll	7,477	5,414
	128,967	31,607
NET POSITION		
Net Investment in Capital Assets	25,463	-
Restricted for Program Activities	339,851	423,799
Unrestricted	1,057,494	2,215,818
	1,422,808	2,639,617
	\$ 1,551,775	\$ 2,671,224

The accompanying notes are an integral part of these financial statements.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Government Grants	\$ 404,874	\$ 133,554
Corporate Contributions	-	60,600
Contributed Property	452,045	254,500
Redemption Income	-	4,800
Sale of Property	<u>291,012</u>	<u>13,558</u>
TOTAL OPERATING REVENUES	<u>1,147,931</u>	<u>467,012</u>
OPERATING EXPENSES		
Property Maintenance Costs	393,712	186,600
Property Grants	222,560	-
Personnel	284,873	128,794
Cost of Property Sold	362,383	42,000
Subsidy Allowance on Properties Held	901,286	563,248
Rent	18,832	11,052
Contract Services	121,347	109,323
Administrative	32,873	5,699
Depreciation	4,493	-
Insurance	<u>24,064</u>	<u>14,571</u>
TOTAL OPERATING EXPENSES	<u>2,366,423</u>	<u>1,061,287</u>
OPERATING LOSS	<u>(1,218,492)</u>	<u>(594,275)</u>
NONOPERATING REVENUES		
Interest Income	<u>1,683</u>	<u>985</u>
NET DECREASE IN NET POSITION	(1,216,809)	(593,290)
NET POSITION - Beginning of Year	<u>2,639,617</u>	<u>3,232,907</u>
NET POSITION - End of Year	<u>\$ 1,422,808</u>	<u>\$ 2,639,617</u>

The accompanying notes are an integral part of these financial statements.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Government Grants	\$ 318,454	\$ 133,554
Receipts from Corporate Grants	200,000	60,600
Payments to Employees	(282,810)	(123,380)
Payments to Suppliers	(553,658)	(322,865)
Sale of Property	291,012	13,558
Acquisition of Property	(833,284)	(254,788)
Other Receipts	-	6,112
	(860,286)	(487,209)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Vehicles	(29,956)	-
Interest Received	1,683	985
	(28,273)	985
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	(888,559)	(486,224)
CASH AND CASH EQUIVALENTS - Beginning of Year		
	1,731,405	2,217,629
CASH AND CASH EQUIVALENTS - End of Year		
	\$ 842,846	\$ 1,731,405
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH		
Operating Loss	\$ (1,218,492)	\$ (594,275)
Adjustments to Reconcile Operating Income (Loss)		
To Net Cash Provided By Operations		
Depreciation Expense	4,493	-
Subsidy Allowance on Properties Held	901,286	563,248
Cost of Property Sold	362,383	42,000
Contributed Property Revenue	(452,045)	(254,500)
Purchases of Property Held	(833,284)	(254,788)
Property Grants	222,560	-
Changes in Operating Assets and Liabilities		
Government Grants Receivable	(86,420)	-
Corporate Contributions Receivable	200,000	-
Property Acquisition Deposit	16,819	-
Other Assets	(19,067)	1,312
Property Held	(55,879)	(20,690)
Accounts Payable	11,844	25,070
Accrued Liabilities	79,453	-
Prepaid Deposit	4,000	-
Accrued Payroll	2,063	5,414
	\$ (860,286)	\$ (487,209)

The accompanying notes are an integral part of these financial statements.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Title 31 Chapter 47 of the Delaware Code, *Delaware Neighborhood Conservation and Land Banking Act*, enables political subdivisions of the State of Delaware to create “land banks” for the purpose of returning vacant, abandoned, and delinquent properties to productive use. On November 19, 2015, City of Wilmington Ordinance No. 15-040 was passed into law to create the Wilmington Neighborhood Conservancy Land Bank Corporation (Land Bank). On March 3, 2016, the Land Bank was incorporated.

The Land Bank’s mission is to return vacant, dilapidated, abandoned, and tax delinquent properties to productive use in order to strengthen and revitalize neighborhoods of the City of Wilmington, Delaware and to spur economic development. The Land Bank will:

- Acquire or receive properties within the City of Wilmington, Delaware.
- Purchase tax liens encumbering tax delinquent property.
- Purchase foreclosed property at sheriff’s sale on the same terms afforded to the foreclosing government.
- Maintain property in accordance with all laws and regulations of the jurisdiction.
- Clear the title to those properties so that new owners are not burdened by old liens.

The Land Bank is governed by a board of directors composed of 15 members. The board of directors is the sole governing body of the Land Bank and has the power to adopt, amend, or repeal bylaws for the Land Bank. Upon dissolution, the Land Bank’s net position will revert to the City of Wilmington, Delaware.

Financial Reporting - The Land Bank is considered a government entity for financial reporting purposes; therefore, the Land Bank presents its financial statements in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Land Bank considers itself to be a special purpose governmental organization engaged only in business-type activities.

Component Unit - The Land Bank is a Component Unit of the City of Wilmington, Delaware.

Measurement Focus and Basis of Accounting - The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. All pass-through funding is recognized as revenue when the related costs are incurred. Such costs include costs of acquisition and rehabilitation of certain real property to be alternately conveyed to program beneficiaries.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - CONTINUED**

Measurement Focus and Basis of Accounting - Continued

The Land Bank records all revenues derived and related expenses incurred from its programs and activities as operating revenues and expenses since they are generated from the Land Bank's daily operations needed to carry out its purposes.

In its accounting and financial reporting, the Land Bank follows the pronouncements of the GASB and other entities that promulgate accounting principles. GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Per the statement, the sources of authoritative generally accepted accounting principles (GAAP) are categorized in descending order of authority as follows: GASB Statements and Interpretations, GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants (AICPA) cleared by the GASB. Authoritative GAAP is incorporated periodically into the *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), and when presented in the Codification, it retains its authoritative status. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP described above, a governmental entity should first consider accounting principles for similar transactions or other events within a source of authoritative GAAP described above and then may consider nonauthoritative accounting literature from other sources. These include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board (FASB), Federal Accounting Standards Advisory Board International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks, and articles.

Estimates - 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 and disclosure of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purpose of the statements of cash flows, the Land Bank considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivables - Receivables consist of government grants and corporate contributions receivable under various City grant programs and pledges from corporate donors. As of December 31, 2019 and 2018 government grants included bad debt allowance of \$51,000 and \$0 for government grants not expected to be collected.

Property Held - Property held for sale or future use is to be stated at the lower of the cost of acquisition or a fair value, which reflects the land/property true valuation in accordance with GASB Codification Section R30, *Real Estate*. This methodology will be applied to long-held vacant properties, as well as units recently acquired for sale. As of December 31, 2019 and 2018 the Land Bank owned 192 and 190 properties, respectively.

Capital Assets - Equipment is state at cost at date of acquisition or fair market value at date of donation in the case of gifts. The Land Bank follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed over the estimated useful lives of the respective assets using the straight-line method. The annual depreciation rates based on the following ranges of useful lives:

Buildings	30 Years
Equipment	3 - 10 Years
Computer Equipment and Software	3 - 5 Years
Furniture and Fixtures	10 Years

Net Position - Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position invested in capital assets, net of related debt, excludes unspent debt proceeds. Net position is reported as restricted when limitations on its use are imposed through external restrictions by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, the Land Bank uses restricted resources first and then unrestricted resources as needed. Unrestricted net position consists of all other net position not included in the above categories. As of December 31, 2019 and 2018, \$339,851 and \$423,799, respectively, of the Land Bank's net position was restricted.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - The Land Bank is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is presented in these financial statements. In addition, properties held are exempt from real estate taxes.

Income not related to the Land Bank's tax-exempt purpose may be subject to taxation as unrelated business income. Accounting principles generally accepted in the United States of America impose a threshold for determining when an income tax benefit can be recognized in regard to uncertain tax positions. The Land Bank has determined that no liability for uncertain tax positions is required to be accrued and included in the statements of net position as of December 31, 2019 and 2018. The Land Bank's federal Form 990 is subject to examination by the IRS, generally for three years after filing.

Subsequent Events - Management has evaluated subsequent events through the date of the independent auditors' report, which was the date that the financial statements were available to be issued, for possible adjustment to the financial statements or disclosure in the notes to the financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the Land Bank's deposits may not be returned to it. The Land Bank maintains its cash balances in an account at a financial institution. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage up to \$250,000. As of December 31, 2019 and 2018, the uninsured balance was \$596,571 and \$1,481,438, respectively.

NOTE 3: CITY OF WILMINGTON, DELAWARE, MEMORANDUM OF UNDERSTANDING AND FUNDING AGREEMENT

On February 28, 2017, the Land Bank entered a Memorandum of Understanding (MOU) with the City of Wilmington, Delaware (City), a related party. The MOU includes a nonbinding annual funding intent from the City of \$1,500,000 for a period of ten years. The MOU requires the Land Bank to seek contributions of \$15,000,000 from other governments and \$15,000,000 from private and charitable sources during the initial ten-year term. The amount of annual funding, for budgeting purposes, will be determined by October 31 of the year preceding the funding. The MOU automatically renews for five-year periods unless notice is given 180 days prior to the renewal. During the years ended December 31, 2019 and 2018, the City contributed \$0.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE 4: DELAWARE STATE HOUSING AUTHORITY STRONG NEIGHBORHOOD HOUSING FUND AGREEMENTS

On April 1, 2017, the Land Bank was awarded a \$645,000 grant by the Delaware State Housing Authority's (DSHA), a related party, Strong Neighborhood Housing Fund (SNHF). The agreement establishes that at least \$545,000 of the funding is to be used for acquisition, demolition, and stabilization of designated properties and no more than \$100,000 of the funding is to be used for vacant maintenance expenditures. The maximum award per unit is \$50,000. The Land Bank is required to return to DSHA all net proceeds from the sale of newly constructed or rehabilitated units. The Land Bank anticipates that the eventual disposition of each property will not result in positive net proceeds as defined by the agreement. As a result, funding received under this agreement will be recognized as grant income on a cost reimbursement basis. The agreement imposes a 10-year compliance period on each sold unit that establishes a second position mortgage. The SNHF agreement expires on March 31, 2020. During the years ended December 31, 2019 and 2018, there were advances totaling \$427,753 and \$133,554, respectively, from DSHA under this agreement.

On August 1, 2019, the Land Bank was awarded a \$505,000 grant by DSHA's SNHF. The agreement establishes that the funding is to be used for acquisition, renovation, demolition, land banking and/or re-sale of vacant, abandoned foreclosed or blighted properties. The Land Bank is required to return to DSHA all net proceeds from the sale of newly constructed or rehabilitated units. The Land Bank anticipates that the eventual disposition of each property will not result in positive net proceeds as defined by the agreement. As a result, funding received under this agreement will be recognized as grant income on a cost reimbursement basis. The agreement imposes a 10-year compliance period on each sold unit that establishes a second position mortgage. The SNHF agreement expires on July 31, 2022. During the years ended December 31, 2019 and 2018, there were no advances from DSHA under this agreement.

NOTE 5: RISK MANAGEMENT

The Land Bank is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Land Bank carries insurance.

NOTE 6: PROPERTY HELD

The Land Bank's property held consists of structures and vacant lots to which the Land Bank holds legal title. These properties are either contributed by the City of Wilmington, Delaware, individuals, or other entities, or purchased directly by the Land Bank at sheriff sales. The Land Bank's property held is stated at the lower of the cost of acquisition or a fair value, which reflects the land/property true valuation in accordance with GASB Codification Section R30, *Real Estate*.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 6: PROPERTY HELD - CONTINUED

The following makes up the Land Bank's reported property held:

	Available for Sale	Held for Future Use
December 31, 2019		
Property Cost/Carrying Value	\$ 1,286,065	\$ 652,758
Less: Subsidy Allowance on Properties Held	(1,009,465)	(610,458)
Net Property Held	\$ 276,600	\$ 42,300
December 31, 2018		
Property Cost/Carrying Value	\$ 540,265	\$ 612,965
Less: Subsidy Allowance on Properties Held	(426,957)	(262,352)
Net Property Held	\$ 113,308	\$ 350,613

The basis of the property held for sale includes the sales price plus any additional costs incurred to prepare the property for disposition. These costs include closing costs, demolition, clean-up, and other various property-related costs. The inventory subsidy allowance represents the difference between the estimated disposal price and the inventory basis.

The basis of properties held for future use is the acquisition cost of the property plus any closing costs incurred by the Land Bank. All expenses incurred on these properties were expensed in the current period.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 7: EQUIPMENT

Equipment consisted of the following as of December 31:

	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
December 31, 2019				
Depreciable Capital Assets:				
Vehicles	\$ -	\$ 29,956	\$ -	\$ 29,956
Less: Accumulated Depreciation	-	(4,493)	-	(4,493)
Capital Assets, Net	<u>\$ -</u>	<u>\$ 25,463</u>	<u>\$ -</u>	<u>\$ 25,463</u>
December 31, 2018				
Depreciable Capital Assets:				
Vehicles	\$ -	\$ -	\$ -	\$ -
Less: Accumulated Depreciation	-	-	-	-
Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense of \$4,493 and \$0 was recorded for the years ended December 31, 2019 and 2018, respectively.

NOTE 8: LEASES

The Land Bank had an \$800 per month, month-to-month operating lease for office space in Wilmington, Delaware that expired in October 2019.

The Land Bank leases vacant lots to other entities for \$1 per year, with terms ranging from 1 to 5 years. The leases require the lots be used for fruit, vegetable and flower gardening, and requires the lessee to maintain the plant material.

The Land Bank also leased a vacant lot for use as a construction yard for the period of October 1, 2019 through April 30, 2020 for \$300 per month.

NOTE 9: RESTRICTED NET POSITION

During the year ended December 31, 2017, the Land Bank received a restricted contribution for a project in North West Center City being developed with a local not-for-profit developer. The grant specifies the funds are to be used

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE 9: RESTRICTED NET POSITION - CONTINUED

for the rehabilitation of eight vacant properties. As of December 31, 2019 and 2018, \$314,851 and \$400,000 of net position was restricted for this purpose, respectively.

During the year ended December 31, 2018, the Land Bank received a restricted contribution for community development. The grant specifies the funds are to be used for consulting services to prepare a community development implementation plan. As of December 31, 2019 and 2018, \$0 and \$23,799 of net position was restricted for this purpose, respectively.

During the year ended December 31, 2019, the Land Bank received a restricted contribution for greening. As of December 31, 2019, \$25,000 of net position was restricted for this purpose.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Certain conditions may exist as of the date the financial statements are issued, which may result in loss to the Land Bank, but which only will be resolved when one or more future events occur or fail to occur. The Land Bank's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings, the Land Bank's management and legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims. The Land Bank did not accrue loss contingencies with respect to litigation as of December 31, 2019.

The Land Bank has entered into agreements collaborating with Wilmington Housing Partnership and the Habitat for Humanity of New Castle County. The Land Bank has committed to entering a collaboration agreement with Interfaith Community Housing of Delaware as a part of a grant received from the JP Morgan Chase Foundation. The Land Bank has committed to assisting these organizations with the acquisition and development of specific projects within the City of Wilmington, Delaware.

NOTE 11: SUBSEQUENT EVENTS

COVID-19 Impact - The Land Bank is unable to estimate the extent of impact to its operations as a result of the economic shutdown imposed as part of the response to COVID-19. The Land Bank has continued to operate remotely, however, a number of key employees are coming into the office a few days a week. The Land Bank anticipates continuing this work protocol until the governor releases the business closure restrictions. The Land Bank's staff have remote access to many of their files and their accounting software.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 11: SUBSEQUENT EVENTS - CONTINUED

Paycheck Protection Program Loan - In response to the uncertainty created by the COVID-19 pandemic, the federal government signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. A provision of the CARES Act allowed for loans to eligible small businesses, including nonprofit organizations, under its Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration. PPP Loans have a maturity of 2 or 5 years and incur interest at a rate of 1%. PPP loans contain provisions to forgive all or a portion of the funds borrowed based on a calculation that considered the borrower's incurrence of eligible costs and ability to maintain employee and salary levels for a period of time after receipt of the loan funds. In May 2020, the Land Bank received a PPP loan in the amount of \$20,197.

Upon completion of the obligations contained in the PPP loan agreement, which include the submission of an application for loan forgiveness, the Land Bank will recognize the resulting revenue. The Land Bank anticipates meeting the obligations during the year ending December 31, 2021.