

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

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2020 AND 2019**

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**

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

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**DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, 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 expressing an opinion on the effectiveness of the Land Bank's internal control. Accordingly, we express no such

To the Board of Directors  
Wilmington Neighborhood Conservancy Land Bank Corporation

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, 2020 and 2019, and the changes in financial position and cash flows thereof 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 4, 2022 on our consideration of the Land Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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

To the Board of Directors  
Wilmington Neighborhood Conservancy Land Bank Corporation

of that testing, and not to provide an opinion on the effectiveness of The Land Bank'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 Land Bank's internal control over financial reporting and compliance.

*Belfint, Lyons & Shuman, P.A.*

January 4, 2022  
Wilmington, Delaware

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

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, 2020 and 2019. Please read it in conjunction with the financial statements, which begin on page 10, for a comprehensive understanding of the reports.

**FINANCIAL HIGHLIGHTS**

The Land Bank's assets decreased in the year ended December 31, 2020 to \$1,015,255 due to the increase in property sales and the remainder of the JP Morgan Chase grant transferred directly to the nonprofit contractor.

The Land Bank's liabilities increased in the year ended December 31, 2020 to \$176,349 due to receiving an SBA Economic Injury Disaster Loan.

The Land Bank's unrestricted net position decreased in the year ended December 31, 2020 to \$794,435, restricted net position decreased to \$25,000.

While the Land Bank's activities continued to increase during the year ended December 31, 2020, the Land Bank's operating expenses decreased to \$1,456,799, as a result of the following factors:

- A decrease in the sale of parcels sold with higher value.
- A decrease in subsidy allowance, due to less costs being capitalized to properties and allowed for during 2020.
- An increase of property sales.
- A more efficient personnel structure moving from 3 to 2 staff members with fewer administrative expenses.

During the year ended 2020, the Land Bank's net cash outflow from operating activities decreased to \$394,160, as a result of the following elements:

- Due to the pandemic, property acquisitions were significantly diminished.
- With less work performed on currently held parcels, the subsidy allowance on properties held reduced to \$339,000.
- The remainder of the JPMorgan Chase grant went directly to the nonprofit contractor.
- The Land Bank provided subsidy from the JPMorgan Chase grant in the amount of \$157,335 to rehab 3 units in the West Center City revitalization initiative.

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

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

**FINANCIAL HIGHLIGHTS - CONTINUED**

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

A more focused strategy in conjunction with the City of Wilmington during the year ended December 31, 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.

**USING THIS FINANCIAL REPORT**

The discussion and analysis are 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.

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

**USING THIS FINANCIAL REPORT - CONTINUED**

*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, 2020 and 2019, 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 10 through 12.

The Land Bank's net position as of December 31, 2020, 2019, and 2018, consisted of the following:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 621,802	\$ 842,846	\$ 1,731,405
Receivables	144,002	345,420	459,000
Property Held For Sale, Net	208,100	276,600	113,308
Property Acquisition Deposit	-	-	16,819
Other Assets	80	19,146	79
Property Held for Future Use, Net	21,800	42,300	350,613
Capital Assets, Net	<u>19,471</u>	<u>25,463</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,015,255</u></u>	<u><u>\$ 1,551,775</u></u>	<u><u>\$ 2,671,224</u></u>

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

**BASIC FINANCIAL STATEMENTS - CONTINUED**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 3,219	\$ 38,037	\$ 26,193
Accrued Liabilities	20,975	79,453	-
Prepaid Deposit	-	4,000	-
Accrued Payroll	-	7,477	5,414
Notes Payable	<u>152,155</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>176,349</u>	<u>128,967</u>	<u>31,607</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	19,471	25,463	-
Restricted	25,000	339,851	423,799
Unrestricted	<u>794,435</u>	<u>1,057,494</u>	<u>2,215,818</u>
<b>TOTAL NET POSITON</b>	<u>838,906</u>	<u>1,422,808</u>	<u>2,639,617</u>
<b>TOTAL LIABILITIES NET POSITON</b>	<u>\$ 1,015,255</u>	<u>\$ 1,551,775</u>	<u>\$ 2,671,224</u>

The Land Bank's accounts payable, as of December 31, 2020 and 2019, primarily consist of charges on properties owned by the Land Bank.

The Land Bank has \$25,000 and \$339,851 of restricted net position as of December 31, 2020 and 2019, 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, 2020**

**BASIC FINANCIAL STATEMENTS - CONTINUED**

*Change in Net Position* - The Land Bank's change in net position for the years ended December 31, 2020, 2019, and 2018, consisted of the following:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>			
Operating Revenue			
Government Grants	\$ 704,781	\$ 404,874	\$ 133,554
Corporate Contributions, Net	(199,750)	-	60,600
Contributions	17,000	-	-
Contributed Property	153,300	452,045	254,500
Redemption Income	-	-	4,800
Sale of Property	196,802	291,012	13,558
Nonoperating Revenue			
Interest Income	764	1,683	985
	<u>764</u>	<u>1,683</u>	<u>985</u>
<b>TOTAL REVENUES</b>	<u>\$ 872,897</u>	<u>\$ 1,149,614</u>	<u>\$ 467,997</u>
<b>EXPENSES</b>			
Property Maintenance Costs	\$ 386,753	\$ 393,712	\$ 186,600
Property Grants	183,535	222,560	-
Personnel	210,778	284,873	128,794
Cost of Property Sold	214,895	362,383	42,000
Subsidy Allowance on Properties Held	338,726	901,286	563,248
Rent	19,751	18,832	11,052
Contract Services	53,893	121,347	109,323
Administrative	16,952	32,873	5,699
Depreciation	5,992	4,493	-
Insurance	25,524	24,064	14,571
	<u>25,524</u>	<u>24,064</u>	<u>14,571</u>
<b>TOTAL EXPENSES</b>	1,456,799	2,366,423	1,061,287
<b>NET POSITION - Beginning of Year</b>	<u>1,422,808</u>	<u>2,639,617</u>	<u>3,232,907</u>
<b>NET POSITION - End of Year</b>	<u>\$ 838,906</u>	<u>\$ 1,422,808</u>	<u>\$ 2,639,617</u>

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

**BASIC FINANCIAL STATEMENTS - CONTINUED**

*Change in Net Position - Continued*

During 2020, the Land Bank generated the following achievements, partnerships and initiatives:

- Returned 61 blighted parcels back to productive use as compared to 42 units in 2019:
  - Investor Rehab for Homeownership: 25 Units
  - Nonprofit Joint Venture Affordable Housing Projects: 16 Units
  - Homestead Program: 4 Units
  - Side Lots: 4 Parcels
  - Investor Rehab for Affordable Rentals: 12 Units
- Received a \$1,000,000 grant from the City of Wilmington.
- Demolished a total of 13 unsafe structures costing \$194,000 with a total of \$1,600,000 expended for demolitions since the Land Bank's inception.
- Provided \$37,000 in funding for the acquisition and demolition on the 700 block of Douglas Street to support Cornerstone West CDC's Life Lines III project-transitioning youths from foster care.
- Partnered with Cinnaire, the City of Wilmington, and the Delaware Valley Development Corporation to support the West Center City project acquiring and demolishing units to create 12 affordable homeownership opportunities.
- Collaborated with the National Community Reinvestment Coalition (NCRC), based in Washington, D.C., to create affordable housing projects by purchasing, holding, and transferring 2 units and employing City residents.
- Funded, in conjunction with JPMorgan Chase and DSHA, the 9<sup>th</sup> Street Revitalization Project which combines acquisition, demolition, and construction subsidy.
- Completed a comprehensive rental policy focusing on quality rentals at HUD Fair Market Rental pricing.
- Created and published an extensive interactive website. Received a \$5,500 grant from the Equitable Wilmington Collaborative to offset the cost.
- Created additional policies and procedures, including a detailed property application.
- Refined the sales strategy to focus on one area a month making more of a revitalization impact.
- Implemented a disposition process including a scorecard for property sales.

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

**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 Fund in the amount of \$645,000 partnering with Cinnaire, Delaware Valley Development Corporation, and the City of Wilmington's Real Estate and Housing Department for the revitalization of West Center City.
- Ninth Street Revitalization Project: Funded \$500,000 by JPMorgan Chase for acquisition and subsidy of six 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 three adjacent homes.
- In April 2019, the Land Bank 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 the Land Bank property maintenance. The Land Bank funds eight 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.

**Funding** - In the year 2019, and due to operating at a higher capacity level, the Land Bank had limited income. The sources of revenue came from four 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 10-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.

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

**BASIC FINANCIAL STATEMENTS - CONTINUED**

***Funding - Continued***

Of primary concern, however, is the long-term viability of the 10-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 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, 2020 AND 2019**

**ASSETS**

	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 621,802	\$ 842,846
Government Grants Receivable	144,002	145,420
Corporate Contributions Receivable	-	200,000
Property Available for Sale, Net	208,100	276,600
Other Assets	80	19,146
	<b>973,984</b>	<b>1,484,012</b>
<b>NONCURRENT ASSETS</b>		
Property Held for Future Use, Net	21,800	42,300
Capital Assets, Net	19,471	25,463
	<b>41,271</b>	<b>67,763</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,015,255</b>	<b>\$ 1,551,775</b>

**LIABILITIES**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 3,219	\$ 38,037
Accrued Liabilities	20,975	79,453
Prepaid Deposit	-	4,000
Accrued Payroll	-	7,477
	<b>24,194</b>	<b>128,967</b>
<b>NONCURRENT LIABILITIES</b>		
Note Payable - Net of Current Maturities	152,155	-
	<b>176,349</b>	<b>128,967</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	19,471	25,463
Restricted for Program Activities	25,000	339,851
Unrestricted	794,435	1,057,494
	<b>838,906</b>	<b>1,422,808</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,015,255</b>	<b>\$ 1,551,775</b>

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, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUES</b>		
Government Grants	\$ 704,781	\$ 404,874
Corporate Contributions, Net	(199,750)	-
Contributions	17,000	-
Contributed Property	153,300	452,045
Redemption Income	-	-
Sale of Property	196,802	291,012
	<b>872,133</b>	<b>1,147,931</b>
<b>OPERATING EXPENSES</b>		
Property Maintenance Costs	386,753	393,712
Grants	183,535	222,560
Personnel	210,778	284,873
Cost of Property Sold	214,895	362,383
Subsidy Allowance on Properties Held	338,726	901,286
Rent	19,751	18,832
Contract Services	53,893	121,347
Administrative	16,952	32,873
Depreciation	5,992	4,493
Insurance	25,524	24,064
	<b>1,456,799</b>	<b>2,366,423</b>
<b>OPERATING LOSS</b>	<b>(584,666)</b>	<b>(1,218,492)</b>
<b>NONOPERATING REVENUES</b>		
Interest Income	764	1,683
	<b>(583,902)</b>	<b>(1,216,809)</b>
<b>NET DECREASE IN NET POSITION</b>		
<b>NET POSITION - Beginning of Year</b>	<b>1,422,808</b>	<b>2,639,617</b>
<b>NET POSITION - End of Year</b>	<b>\$ 838,906</b>	<b>\$ 1,422,808</b>

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, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Government Grants	\$ 691,251	\$ 318,454
Receipts from Corporate Grants	-	200,000
Payments to Employees	(218,255)	(282,810)
Payments to Suppliers	(510,624)	(553,658)
Sale of Property	196,802	291,012
Acquisition of Property	(395,999)	(833,284)
Payment of Grant Awards	(157,335)	-
	<b>(394,160)</b>	<b>(860,286)</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Notes Payable	172,352	-
	<b>172,352</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Vehicles	-	(29,956)
Interest Received	764	1,683
	<b>764</b>	<b>(28,273)</b>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(221,044)</b>	<b>(888,559)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<b>842,846</b>	<b>1,731,405</b>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ 621,802</b>	<b>\$ 842,846</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>		
Operating Loss	\$ (584,666)	\$ (1,218,492)
Adjustments to Reconcile Operating Income (Loss)		
To Net Cash Provided By Operations		
Depreciation Expense	5,992	4,493
Bad Debt Expense netted with Contribution on the	200,000	-
Paycheck Protection Program Loan Forgiveness	(20,197)	-
Subsidy Allowance on Properties Held	338,726	901,286
Cost of Property Sold	193,920	362,383
Contributed Property Revenue	(153,300)	(452,045)
Purchases of Property Held	(227,546)	(833,284)
Property Grants	26,200	222,560
Changes in Operating Assets and Liabilities		
Government Grants Receivable	1,418	(86,420)
Corporate Contributions Receivable	-	200,000
Property Acquisition Deposit	-	16,819
Other Assets	19,066	(19,067)
Property Held	(89,000)	(55,879)
Accounts Payable	(34,818)	11,844
Accrued Liabilities	(58,478)	79,453
Prepaid Deposit	(4,000)	4,000
Accrued Payroll	(7,477)	2,063
	<b>(394,160)</b>	<b>(860,286)</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (394,160)</b>	<b>\$ (860,286)</b>

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

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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, 2020**

**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, 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 purposes 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.

*Receivables* - Receivables consist of government grants and corporate contributions receivable under various City grant programs and pledges from corporate donors. As of December 31, 2020 and 2019, government grants included bad debt allowance of \$0 and \$51,000, respectively, for government grants not expected to be collected.

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

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

**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, 2020 and 2019, the Land Bank owned 210 and 192 properties, respectively.

**Capital Assets** - Equipment is stated 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 are 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, 2020 and 2019, \$25,000 and \$339,851, respectively, of the Land Bank's net position was restricted.

**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

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

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

*Income Taxes - Continued* - December 31, 2020 and 2019. 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, 2020 and 2019, the uninsured and uncollateralized balances were \$372,210 and \$596,571, respectively.

**NOTE 3: CITY OF WILMINGTON, DELAWARE, MEMORANDUM OF UNDERSTANDING AND FUNDING AGREEMENT AND GRANT 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, 2020 and 2019, the City contributed \$0 for this MOU.

In August 2020, the Land Bank was awarded a \$1,000,000 grant by the City. The agreement establishes that at least \$781,654 of the funding is for eligible capital and operating expenses and no more than \$218,346 is for administrative expenses. The funding received under this agreement will be recognized as grant income on a cost reimbursement basis. The agreement expired on June 30, 2021. During the years ended December 31, 2020 and 2019, the Land Bank recognized revenue totaling \$588,891 and \$0, respectively, from the City under this agreement.

In July 2021, the Land Bank was awarded a \$500,000 grant by the City. The agreement establishes that at least \$390,827 of the funding is for eligible capital and operating expenses and no more than \$109,173 is for administrative expenses. The funding received under this agreement will be recognized as grant income on a cost reimbursement basis. The agreement expires on June 30, 2022.

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**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 unit sold that establishes a second position mortgage. The SNHF agreement expired on March 31, 2020. During the years ended December 31, 2020 and 2019, the Land Bank recognized revenue totaling \$83,693 and \$427,753, 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 unit sold that establishes a second position mortgage. The SNHF agreement expires on July 31, 2022. During the years ended December 31, 2020 and 2019, the Land Bank recognized revenue totaling \$12,000 and \$0, respectively, from DSHA under this agreement.

On November 1, 2020, the Land Bank was awarded a \$400,000 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 five-year compliance period on each unit sold that establishes a second position mortgage. The SNHF agreement expires on October 31, 2023. During the years ended December 31, 2020 and 2019, there were no revenues recognized from DSHA under this agreement.

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**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*.

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

	Available for Sale	Held for Future Use
December 31, 2020		
Property Cost/Carrying Value	\$ 1,268,221	\$ 316,329
Less: Subsidy Allowance on Properties Held	(1,060,121)	(294,529)
Net Property Held	\$ 208,100	\$ 21,800
December 31, 2019		
Property Cost/Carrying Value	\$ 1,286,065	\$ 489,512
Less: Subsidy Allowance on Properties Held	(1,009,465)	(447,212)
Net Property Held	\$ 276,600	\$ 42,300

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, 2020**

**NOTE 7: CAPITAL ASSETS**

Capital assets consisted of the following as of December 31:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance</u>
December 31, 2020				
Depreciable Capital Assets:				
Vehicles	\$ 29,956	\$ -	\$ -	\$ 29,956
Less: Accumulated Depreciation	<u>(4,493)</u>	<u>(5,992)</u>	<u>-</u>	<u>(10,485)</u>
Capital Assets, Net	<u>\$ 25,463</u>	<u>\$ (5,992)</u>	<u>\$ -</u>	<u>\$ 19,471</u>
December 31, 2019				
Depreciable Capital Assets:				
Vehicles	\$ -	\$ 29,956	\$ -	\$ 29,956
Less: Accumulated Depreciation	<u>-</u>	<u>(4,493)</u>	<u>-</u>	<u>(4,493)</u>
Capital Assets, Net	<u>\$ -</u>	<u>\$ 25,463</u>	<u>\$ -</u>	<u>\$ 25,463</u>

Depreciation expense of \$5,992 and \$4,493 was recorded for the years ended December 31, 2020 and 2019, respectively.

**NOTE 8: NOTES PAYABLE**

Changes in notes payable for the year ended December 31:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2020</u>	<u>Due Within One Year</u>
Notes Payable					
SBA Economic Injury Disaster Loan	\$ -	\$ 152,155	\$ -	\$ 152,155	\$ -
SBA Paycheck Protection Program Loan	<u>-</u>	<u>20,197</u>	<u>(20,197)</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 172,352</u>	<u>\$ (20,197)</u>	<u>\$ 152,155</u>	<u>\$ -</u>

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 8: NOTES PAYABLE - CONTINUED**

*U.S. Small Business Administration - Economic Injury Disaster Loan Program* - During 2020, the Land Bank received a \$150,000 loan from the SBA under the EIDL program. The note accrues interest at 2.75% per annum. The note requires payments of \$641 a month starting June 2021. The balance is due June 2050. The note is collateralized by the Land Bank's securities. Notes payable includes \$2,155 of accrued interest at December 31, 2020.

*U.S. Small Business Administration - 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 two or five 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. The Land Bank's PPP loan was forgiven on October 30, 2020.

Annual notes payable service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2021	\$ -	\$ 4,487
2022	1,872	5,820
2023	3,665	4,027
2024	3,756	3,936
2025	3,871	3,821
2026 - 2030	21,024	17,436
2031 - 2035	24,121	14,339
2036 - 2040	27,668	10,792
2041 - 2045	31,751	6,709
2046 - 2050	32,272	2,059
	\$ 150,000	\$ 73,426

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 9: 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 one to five 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 from October 1, 2019 through April 30, 2020, for \$300 per month.

**NOTE 10: 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 for the rehabilitation of eight vacant properties. As of December 31, 2020 and 2019, \$0 and \$314,851 of net position was restricted for this purpose, respectively. During the year ended December 31, 2020, the grantor terminated the grant agreement resulting in bad debt of \$200,000.

During the year ended December 31, 2019, the Land Bank received a restricted contribution for greening. As of December 31, 2020 and 2019, \$25,000 of net position was restricted for this purpose.

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

*Maintenance Service Agreement* - On April 1, 2019, the Land Bank entered a one year service agreement with Inter-Neighborhood Community Builders, LLC for maintenance services at the Land Bank's properties for \$331,095 annually, paid monthly in advance. On April 1, 2020, the Land Bank extended the service agreement for one year at \$293,700 per year, paid monthly in advance.

*COVID-19 Impact* - The Land Bank is unable to estimate the extent of impact to its operations as a result of the response to COVID-19.

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, 2020.

**WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 12: SUBSEQUENT EVENTS**

*Paycheck Protection Program Loan Second Draw* - In response to the continued uncertainty created by the COVID-19 pandemic, the federal government signed into law the Consolidated Appropriations Act (CAA) in 2021. A provision of the ACT provided additional PPP funding and allowed for a second round of funding. Similar to the first round of funding, the second round of funding is administered by the U.S. Small Business Administration. PPP Loans have a maturity of five 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 April 2021, the Land Bank received a PPP loan second draw in the amount of \$37,747.

Upon completion of the conditions 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 satisfying the conditions during the year ending December 31, 2021.

*Brownfield Grant (Subsequent Contingency)* - In 2021, the Land Bank was awarded State of Delaware Brownfield Grants totaling \$1,245,000 to remediate environmental liabilities for 18 properties. No loss is expected to be incurred to remediate the environmental liabilities.