

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2021 AND 2020

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION

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

TABLE OF CONTENTS

DECEMBER 31, 2021 AND 2020

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	16



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Independent Auditors' Report

To the Board of Directors
Wilmington Neighborhood Conservancy
Land Bank Corporation

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Land Bank, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

To the Board of Directors
Wilmington Neighborhood Conservancy
Land Bank Corporation

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Land Bank's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Land Bank's ability to continue as a going concern for a reasonable period of time.

To the Board of Directors
Wilmington Neighborhood Conservancy
Land Bank Corporation

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 March 16, 2023, 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 grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The 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.

March 16, 2023
Wilmington, Delaware

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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, 2021 and 2020. Please read it in conjunction with the financial statements, which begin on page 12, 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 U.S. Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL).

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, 2021

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, 2021

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, 2021, 2020, and 2019, consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Cash and Cash Equivalents	\$ 451,432	\$ 621,802	\$ 842,846
Receivables	152,173	144,002	345,420
Property Held For Sale, Net	172,756	208,100	276,600
Property Acquisition Deposit	25,688	-	-
Other Assets	-	80	19,146
Property Held for Future Use, Net	353,700	21,800	42,300
Capital Assets, Net	<u>13,480</u>	<u>19,471</u>	<u>25,463</u>
TOTAL ASSETS	<u><u>\$ 1,169,229</u></u>	<u><u>\$ 1,015,255</u></u>	<u><u>\$ 1,551,775</u></u>

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021

BASIC FINANCIAL STATEMENTS - CONTINUED

	<u>2021</u>	<u>2020</u>	<u>2019</u>
LIABILITIES			
Accounts Payable	\$ 68,014	\$ 3,219	\$ 38,037
Accrued Liabilities	-	20,975	79,453
Prepaid Deposit	-	-	4,000
Unearned Revenue	142,545	-	-
Accrued Payroll	-	-	7,477
Pollution Remediation Obligation	157,150	-	-
Notes Payable	<u>194,042</u>	<u>152,155</u>	<u>-</u>
TOTAL LIABILITIES	<u>561,751</u>	<u>176,349</u>	<u>128,967</u>
NET POSITION			
Net Investment in Capital Assets	13,480	19,471	25,463
Restricted	24,398	25,000	339,851
Unrestricted	<u>569,600</u>	<u>794,435</u>	<u>1,057,494</u>
TOTAL NET POSITON	<u>607,478</u>	<u>838,906</u>	<u>1,422,808</u>
TOTAL LIABILITIES NET POSITON	<u><u>\$ 1,169,229</u></u>	<u><u>\$ 1,015,255</u></u>	<u><u>\$ 1,551,775</u></u>

The Land Bank's accounts payable, as of December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021

BASIC FINANCIAL STATEMENTS - CONTINUED

Change in Net Position - The Land Bank's change in net position for the years ended December 31, 2021, 2020, and 2019, consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES			
Operating Revenue			
Government Grants	\$ 1,283,776	\$ 704,781	\$ 404,874
Corporate Contributions, Net	9,620	(199,750)	-
Contributions	14,000	17,000	-
Contributed Property	886,400	153,300	452,045
Redemption Income	-	-	-
Sale of Property	120,260	196,802	291,012
Interest Income	68	764	1,683
	<u>2,314,124</u>	<u>872,897</u>	<u>1,149,614</u>
TOTAL REVENUES			
EXPENSES			
Property Maintenance Costs	\$ 1,915,750	\$ 940,374	\$ 1,657,381
Property Grants	2,700	183,535	222,560
Personnel	203,639	210,778	284,873
Pollution Remediation Expense	305,621	-	-
Rent	14,710	19,751	18,832
Contract Services	48,392	53,893	121,347
Administrative	18,469	16,952	32,873
Depreciation	5,991	5,992	4,493
Insurance	26,140	25,524	24,064
Interest Expense	4,140	-	-
	<u>2,545,552</u>	<u>1,456,799</u>	<u>2,366,423</u>
TOTAL EXPENSES			
NET POSITION - Beginning of Year	<u>838,906</u>	<u>1,422,808</u>	<u>2,639,617</u>
NET POSITION - End of Year	<u><u>\$ 607,478</u></u>	<u><u>\$ 838,906</u></u>	<u><u>\$ 1,422,808</u></u>

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021

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 9th 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, 2021

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, 2021

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, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 451,432	\$ 621,802
Government Grants Receivable	152,173	144,002
Property Available for Sale, Net	172,756	208,100
Property Acquisition Deposit	25,688	-
Other Assets	-	80
	<u>802,049</u>	<u>973,984</u>
TOTAL CURRENT ASSETS		
NONCURRENT ASSETS		
Property Held for Future Use, Net	353,700	21,800
Capital Assets, Net	<u>13,480</u>	<u>19,471</u>
	<u>367,180</u>	<u>41,271</u>
TOTAL NONCURRENT ASSETS		
TOTAL ASSETS	<u><u>\$ 1,169,229</u></u>	<u><u>\$ 1,015,255</u></u>

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable	\$ 68,014	\$ 3,219
Accrued Liabilities	-	20,975
Unearned Revenue	142,545	-
Pollution Remediation Obligation	157,150	-
Note Payable - Current Maturities	<u>8,145</u>	<u>-</u>
	<u>375,854</u>	<u>24,194</u>
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES		
Accrued Interest	6,295	2,155
Note Payable - Net of Current Maturities	<u>179,602</u>	<u>150,000</u>
	<u>185,897</u>	<u>152,155</u>
TOTAL NONCURRENT LIABILITIES		
TOTAL LIABILITIES	<u>561,751</u>	<u>176,349</u>
NET POSITION		
Net Investment in Capital Assets	13,480	19,471
Restricted for Program Activities	24,398	25,000
Unrestricted	<u>569,600</u>	<u>794,435</u>
	<u>607,478</u>	<u>838,906</u>
TOTAL NET POSITION		
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,169,229</u></u>	<u><u>\$ 1,015,255</u></u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Government Grants	\$ 1,283,776	\$ 704,781
Corporate Contributions, Net	9,620	(199,750)
Contributions	14,000	17,000
Contributed Property	886,400	153,300
Sale of Property	<u>120,260</u>	<u>196,802</u>
TOTAL OPERATING REVENUES	<u>2,314,056</u>	<u>872,133</u>
OPERATING EXPENSES		
Property Expenses	1,915,750	940,374
Grants	2,700	183,535
Personnel	203,639	210,778
Pollution Remediation Expense	305,621	-
Rent	14,710	19,751
Contract Services	48,392	53,893
Administrative	18,469	14,797
Depreciation	5,991	5,992
Insurance	<u>26,140</u>	<u>25,524</u>
TOTAL OPERATING EXPENSES	<u>2,541,412</u>	<u>1,454,644</u>
OPERATING LOSS	<u>(227,356)</u>	<u>(582,511)</u>
NONOPERATING REVENUES/(EXPENSES)		
Interest Expenses	(4,140)	(2,155)
Interest Income	<u>68</u>	<u>764</u>
TOTAL NONOPERATING REVENUES/(EXPENSES)	<u>(4,072)</u>	<u>(1,391)</u>
NET DECREASE IN NET POSITION	(231,428)	(583,902)
NET POSITION - Beginning of Year	<u>838,906</u>	<u>1,422,808</u>
NET POSITION - End of Year	<u><u>\$ 607,478</u></u>	<u><u>\$ 838,906</u></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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Government Grants	\$ 1,269,760	\$ 691,251
Receipts from Corporate Grants	9,620	-
Payments to Employees	(203,639)	(218,255)
Payments to Suppliers	(411,635)	(510,624)
Sale of Property	120,260	196,802
Acquisition of Property	(992,551)	(395,999)
Payment of Grant Awards	-	(157,335)
	<u>(208,185)</u>	<u>(394,160)</u>
NET CASH FROM OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Notes Payable	<u>37,747</u>	<u>172,352</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>68</u>	<u>764</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(170,370)	(221,044)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>621,802</u>	<u>842,846</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 451,432</u>	<u>\$ 621,802</u>

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

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH		
Operating Loss	\$ (227,356)	\$ (582,511)
Adjustments to Reconcile Operating Income (Loss)		
To Net Cash Provided By Operations		
Depreciation Expense	5,991	5,992
Bad Debt Expense Netted with Contribution on the		
Statements of Revenues, Expenses and Changes in Net Position	-	200,000
Paycheck Protection Program Loan Forgiveness	-	(20,197)
Subsidy Allowance on Properties Held	1,180,173	338,726
Cost of Property Sold	417,654	193,920
Contributed Property Revenue	(886,400)	(153,300)
Purchases of Property Held	(714,127)	(227,546)
Property Grants	2,700	26,200
Changes in Operating Assets and Liabilities		
Government Grants Receivable	(8,171)	1,418
Property Acquisition Deposit	(25,688)	-
Other Assets	80	19,066
Property Held	(296,556)	(89,000)
Accounts Payable	64,795	(34,818)
Accrued Liabilities	(20,975)	(58,478)
Accrued Interest	-	(2,155)
Prepaid Deposit	-	(4,000)
Unearned Revenue	142,545	-
Environmental Liability	157,150	-
Accrued Payroll	-	(7,477)
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ (208,185)</u></u>	<u><u>\$ (394,160)</u></u>

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

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, the 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, 2021

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, 2021 and 2020, government grants included no bad debt allowance.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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, 2021 and 2020, the Land Bank owned 207 and 210 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, 2021 and 2020, \$24,398 and \$25,000, 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

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

Income Taxes - Continued - liability for uncertain tax positions is required to be accrued and included in the statements of net position as of December 31, 2021 and 2020. 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, 2021 and 2020, the uninsured and uncollateralized balances were \$207,061 and \$372,210, respectively.

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

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, 2021 and 2020, 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, 2021 and 2020, the Land Bank recognized revenue totaling \$411,109 and \$588,891, 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

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

reimbursement basis. The agreement expires on June 30, 2022. During the year ended December 31, 2021, the Land Bank recognized revenue totaling \$340,058.

In October 2021, the Land Bank was awarded a \$700,000 grant by the City, under the American Rescue Plan Act. The agreement establishes that the Land Bank will be reimbursed for expenditures used in the strategic demolition and stabilization of housing units in qualified census tracts. The agreement was modified in March 2022 to increase the awarded amount to \$3,100,000 in total. The agreement expires on October 27, 2022. During the year ended December 31, 2021, the Land Bank received \$136,673 from the City under this agreement. This amount is in deferred revenue as of December 31, 2021, until the eligibility criteria are met.

The Land Bank also received \$284,139 and \$0 in other cost reimbursable grants for the purchase of property and \$886,400 and \$153,300 of contributed property from the City of Wilmington for the years ended December 31, 2021 and 2020, respectively.

The City of Wilmington, Delaware also provides various services, including demolition of properties to the Land Bank at no cost to the Land Bank. The value of these services is not reasonably determinable for the years ended December 31, 2021 and 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, 2021 and 2020, the Land Bank recognized revenue totaling \$0 and \$83,693, respectively, from DSHA under this agreement.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 4: DELAWARE STATE HOUSING AUTHORITY STRONG NEIGHBORHOOD HOUSING FUND AGREEMENTS - CONTINUED

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, 2021 and 2020, the Land Bank recognized revenue totaling \$100,000 and \$12,000, 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, 2021 and 2020, there were no revenues recognized 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, 2021

NOTE 6: PROPERTY HELD - CONTINUED

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

	<u>Available for Sale</u>	<u>Held for Future Use</u>
December 31, 2021		
Property Cost/Carrying Value	\$ 1,649,158	\$ 1,284,880
Less: Subsidy Allowance on Properties Held	<u>(1,476,402)</u>	<u>(931,180)</u>
Net Property Held	<u><u>\$ 172,756</u></u>	<u><u>\$ 353,700</u></u>
December 31, 2020		
Property Cost/Carrying Value	\$ 1,268,221	\$ 316,329
Less: Subsidy Allowance on Properties Held	<u>(1,060,121)</u>	<u>(294,529)</u>
Net Property Held	<u><u>\$ 208,100</u></u>	<u><u>\$ 21,800</u></u>

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.

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, 2021				
Depreciable Capital Assets				
Vehicles	\$ 29,956	\$ -	\$ -	\$ 29,956
Less: Accumulated Depreciation	<u>(10,485)</u>	<u>(5,991)</u>	<u>-</u>	<u>(16,476)</u>
Capital Assets, Net	<u><u>\$ 19,471</u></u>	<u><u>\$ (5,991)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,480</u></u>

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 7: CAPITAL ASSETS - CONTINUED

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

Depreciation expense of \$5,991 and \$5,992 was recorded for the years ended December 31, 2021 and 2020, respectively.

NOTE 8: NOTES PAYABLE

Changes in notes payable for the years ended December 31:

	Balance 2020	Additions	Reductions	Balance 2021	Due Within One Year
Notes Payable					
SBA Economic Injury Disaster Loan	\$150,000	\$ -	\$ -	\$ 150,000	\$ -
SBA Paycheck Protection Program Loan	-	37,747	-	37,747	8,145
	<u>\$150,000</u>	<u>\$ 37,747</u>	<u>\$ -</u>	<u>\$ 187,747</u>	<u>\$ 8,145</u>
	Balance 2019	Additions	Reductions	Balance 2020	Due Within One Year
Notes Payable					
SBA Economic Injury Disaster Loan	\$ -	\$150,000	\$ -	\$ 150,000	\$ -
SBA Paycheck Protection Program Loan	-	20,197	(20,197)	-	-
	<u>\$ -</u>	<u>\$170,197</u>	<u>\$ (20,197)</u>	<u>\$ 150,000</u>	<u>\$ -</u>

U.S. Small Business Administration - Economic Injury Disaster Loan Program - During 2020, the Land Bank received a \$150,000 loan from the U.S. Small Business Administration (SBA) under the Economic Injury Disaster Loan Program (EIDL). 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. Accrued interest at December 31, 2021 and 2020, was \$6,295 and \$2,155, respectively.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 8: NOTES PAYABLE - CONTINUED

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. SBA. 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.

U.S. Small Business Administration - 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 CAA 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 March 2021, the Land Bank received a PPP loan second draw in the amount of \$37,747. The Land Bank submitted an application for forgiveness in July 2022 and received approval of the forgiveness in July 2022. The Land Bank will recognize the resulting revenue in 2022.

Annual notes payable service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest	Payments
2022	\$ 8,145	\$ 1,626	\$ 9,771
2023	9,006	7,947	16,953
2024	9,096	7,856	16,952
2025	10,850	6,103	16,953
2026	5,971	4,037	10,008
2027 - 2031	19,868	18,592	38,460
2032 - 2036	22,786	15,674	38,460
2037 - 2041	26,153	12,307	38,460
2042 - 2046	30,005	8,455	38,460
2047 - 2050	45,867	3,326	49,193
	<u>\$ 187,747</u>	<u>\$ 85,923</u>	<u>\$ 273,670</u>

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 9: LEASES

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: POLLUTION REMEDIATION OBLIGATION

During the year ended December 31, 2021, the Land Bank received three sites subject to potential environmental pollution remediation liabilities. The Land Bank entered into Brownfield Development Agreements (BDA) with the State of Delaware Department of Natural Resources and Environmental Control for each site prior to taking possession. The BDAs provide the Land Bank with liability protections as set forth in 7 Del. C. § 9105(f) and §9125 and detail the scope and schedule of activities to assess and respond to the environmental pollutants.

The Land Bank began performing site assessments in 2021 and recognized a liability for the estimated cost to complete the site assessments. The site assessments are expected to be completed in 2022.

Each BDA includes a reimbursable Brownfield Developer grant of \$625,000 for the performance of remedial actions. The first \$500,000 of the grant is reimbursed on a dollar-for-dollar basis and the remaining \$125,000 of the grant is reimbursed on a 1 to 1 matching basis. The cost of the Land Bank's remediation activities is not expected to exceed the BDA grants.

NOTE 11: 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, 2021 and 2020, \$0 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, 2021 and 2020, \$24,398 and \$25,000, respectively, of net position was restricted for this purpose.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 12: COMMITMENTS AND CONTINGENCIES

Maintenance Service Agreement - On April 1, 2020, 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 \$293,700 annually, paid monthly in advance. This agreement was continued on a month-to-month basis through October 31, 2021, and was not renewed.

NOTE 13: RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to confirm with the presentation in the current year financial statements. Property maintenance costs, cost of property sold, and subsidy allowance on properties held were reclassified to maintenance costs. The reclassifications had no effect on previously reported change in net assets or total net assets.