

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2022 AND 2021

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION

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

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Independent Auditor's 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, 2022 and 2021, and the related notes to the 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, 2022 and 2021, 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.

Auditor's 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 auditor's 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 on pages 4 through 10 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 April 3, 2024, 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.

April 3, 2024
Wilmington, Delaware

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

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, 2022 and 2021. 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 increased in the year ended December 31, 2022 to \$4,087,667 due to the increase in grant funding which enabled the purchase of more properties.

The Land Bank's liabilities increased in the year ended December 31, 2022 to \$1,868,117 due to deferred grant awards where cash was received before qualifying expenses were incurred.

The Land Bank's unrestricted net position increased in the year ended December 31, 2022 to \$2,141,627, restricted net position increased to \$74,178.

While the Land Bank's activities continued to increase during the year ended December 31, 2022, the Land Bank's operating expenses increased to \$4,317,971, as a result of increased property related expenses and increased staffing.

During the year ended 2022, the Land Bank's net cash from operating activities increased to \$1,854,702, as a result of government grant receipts.

The Land Bank's assets increased in the year ended December 31, 2021 to \$1,169,229 due to the surge in properties held for development. The additional properties were held for larger development because of site control needed to support several city-wide initiatives funded by the American Rescue Plan Act.

The Land Bank's liabilities increased in the year ended December 31, 2021 to \$561,751 as a result of an increase in grant funding through the American Rescue Plan Act and Brownfield site remediation grants.

The Land Bank's total net position decreased in the year ended December 31, 2021 to \$607,478.

In year ended December 2021, the Land Bank's operating expenses increased to \$2,541,412 with a decrease in personnel expenses to \$203,639 as a result of the following factors:

- Increase in grant funding and properties held for development.
- Larger projects and additional objectives and responsibilities.
- A more efficient personnel structure with fewer administrative expenses.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2022

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.

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, 2022 and 2021, 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 11 through 14.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2022

BASIC FINANCIAL STATEMENTS - CONTINUED

The Land Bank's net position as of December 31, 2022, 2021, and 2020, consisted of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,338,319	\$ 451,432	\$ 621,802
Receivables	714,225	152,173	144,002
Property Held For Sale, Net	188,175	172,756	208,100
Property Acquisition Deposit	65,265	25,688	-
Other Assets	-	-	80
Property Held for Development, Net	409,422	-	-
Security Deposits	1,645	-	-
Property Held for Future Use, Net	366,871	353,700	21,800
Capital Assets, Net	<u>3,745</u>	<u>13,480</u>	<u>19,471</u>
TOTAL ASSETS	<u><u>\$ 4,087,667</u></u>	<u><u>\$ 1,169,229</u></u>	<u><u>\$ 1,015,255</u></u>
LIABILITIES			
Accounts Payable & Accrued Expense	\$ 95,768	\$ 68,014	\$ 24,194
Unearned Revenue	1,481,930	142,545	-
Pollution Remediation Obligation	128,980	157,150	-
Security Deposits	1,645	-	-
Notes Payable & Accrued Interest	<u>159,794</u>	<u>194,042</u>	<u>152,155</u>
TOTAL LIABILITIES	<u>1,868,117</u>	<u>561,751</u>	<u>176,349</u>
NET POSITION			
Net Investment in Capital Assets	3,745	13,480	19,471
Restricted	74,178	24,398	25,000
Unrestricted	<u>2,141,627</u>	<u>569,600</u>	<u>794,435</u>
TOTAL NET POSITON	<u>2,219,550</u>	<u>607,478</u>	<u>838,906</u>
TOTAL LIABILITIES NET POSITON	<u><u>\$ 4,087,667</u></u>	<u><u>\$ 1,169,229</u></u>	<u><u>\$ 1,015,255</u></u>

The Land Bank's accounts payable, as of December 31, 2022 and 2021, primarily consist of charges on properties owned by the Land Bank.

The Land Bank has \$74,178 and \$24,398 of restricted net position as of December 31, 2022 and 2021, 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, 2022

BASIC FINANCIAL STATEMENTS - CONTINUED

Change in Net Position - The Land Bank's change in net position for the years ended December 31, 2022, 2021, and 2020, consisted of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES			
Operating Revenue			
Government Grants	\$ 5,678,017	\$ 1,283,776	\$ 704,781
Corporate Contributions, Net	5,000	9,620	(199,750)
Contributions	14,000	14,000	17,000
Contributed Property	60,000	886,400	153,300
Sale of Property	92,659	120,260	196,802
Other Revenue	84,507	68	764
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u><u>\$ 5,934,183</u></u>	<u><u>\$ 2,314,124</u></u>	<u><u>\$ 872,897</u></u>
EXPENSES			
Property Expenses	\$ 3,682,178	\$ 1,915,750	\$ 940,374
Grants	82,183	2,700	183,535
Personnel	318,488	203,639	210,778
Pollution Remediation Expense	99,300	305,621	-
Rent	17,451	14,710	19,751
Contract Services	36,654	48,392	53,893
Administrative	31,330	18,469	14,797
Depreciation	4,244	5,991	5,992
Insurance	46,143	26,140	25,524
Interest Expense	4,140	4,140	2,155
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	4,322,111	2,545,552	1,456,799
NET POSITION - Beginning of Year	<u>607,478</u>	<u>838,906</u>	<u>1,422,808</u>
NET POSITION - End of Year	<u><u>\$ 2,219,550</u></u>	<u><u>\$ 607,478</u></u>	<u><u>\$ 838,906</u></u>

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2022

BASIC FINANCIAL STATEMENTS - CONTINUED

Change in Net Position - Continued

Since its inception through 2022, the Land Bank's activities have produced the following results:

- In 2022, the Land Bank collaborated with the City of Wilmington and nonprofit partners to address larger initiatives, advanced the Land Bank operations, and procured American Rescue Plan Act funding.
 - Received \$1.5 M from the State of Delaware ARPA funds for the East Side Initiative.
 - Granted an additional \$750,000 in ARPA funding to further support the East Side Initiative.
 - In the City of Wilmington FY23 Budget, the Land Bank received a \$500,000 grant for operations.
- **361** blighted properties have been sold and repurposed:
 - **127** Investor rehabs sold for affordable homeownership.
 - **39** Investor rehabs sold for affordable rental.
 - **16** Homestead units (homebuyers rehab their own homes).
 - **156** Nonprofit joint affordable housing projects.
 - **23** Neglected Lots Sold to Adjacent Neighbors as a Side Yard.
- Launched the Lower Hilltop Initiative in June of 2022 with a goal of revitalizing the troubled community by rehabilitating over 50 vacant and dilapidated properties for equitable homeownership opportunities.
- Continued our strong alliances with Woodlawn Trustees, the City of Wilmington, Central Baptist Church CDC, Habitat for Humanity, Cornerstone West CDC, Cinnaire, Neighborhood House, and Conscious Connections to collaborate on revitalization initiatives in the City of Wilmington's troubled neighborhoods.
- Minority Buyers: 85%
- Contractors Utilized - Disadvantaged Business Enterprises (DBE):85%
- Buyers From the City of Wilmington reinvesting in their communities: 52%
- Developed a property inspection program to ensure all properties are completed within a year and adhere to the established benchmarks.
- Created a marketing committee and contracted with a marketing firm to further the Land Bank's activities and communications.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2022

BASIC FINANCIAL STATEMENTS - CONTINUED

Change in Net Position - Continued

Since its inception through 2021, the Land Bank’s activities have produced the following results:

- Properties Repurposed/Sold: 220
- Equitable Homeownership Opportunities Created: 170
- Removed Unsound Structures Restoring Safety to the Neighborhoods: 42 Units Costing \$1,750,000
- Side Yards: 16
- Nonprofit Partner Projects: 60
- Minority Buyers: 85%
- Contractors Utilized - Disadvantaged Business Enterprises (DBE):85%
- Buyers From the City of Wilmington reinvesting in their communities: 54%
- Total Private Investment Incentivized: \$4,850,000

In 2021, the Land Bank collaborated with nonprofit partners to address larger initiatives, advanced the Land Bank operations, and procured American Rescue Plan Act funding.

- Awarded 3.1 million dollars in ARPA funding for the East Side Revitalization Initiative.
- In the City of Wilmington FY22 Budget, the Land Bank received a \$500,000 grant for operations.
- Partnered with Woodlawn Trustees, the City of Wilmington, Central Baptist Church CDC, Habitat for Humanity, Cornerstone West CDC, and Cinnaire to collaborate on the vast East Side and Lower Hilltop initiatives.
- Worked with Cinnaire’s Wilmington JumpStart program to educate City of Wilmington residents on becoming successful developers.
- Revised the property disposition program to focus redevelopment of Land Bank units in one area making a larger positive impact in the community.
- Began biweekly evening information sessions to educate the public on the Land Bank programs and processes.
- Developed a more comprehensive vacant lot disposition program.
- Refined the Land Bank’s harassment policy and held additional education through the University of Delaware.
- Created clear rehab benchmarks for the Land Bank buyers to achieve.
- Developed a complete board of directors onboarding policy and information packet.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2022

BASIC FINANCIAL STATEMENTS - CONTINUED

Funding - 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.

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 2021 and 2022, the Land Bank received a \$500,000 grant from the City of Wilmington, Delaware to support operations. American Rescue Plan Act grants were awarded by the City of Wilmington, Delaware totaling \$4,860,000.

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, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 856,389	\$ 451,432
Restricted Cash and Cash Equivalents	1,481,930	-
Government Grants Receivable	707,975	152,173
Other Receivables	6,250	-
Property Available for Sale, Net	188,175	172,756
Property Held for Development, Net	409,422	-
Property Acquisition Deposit	65,265	25,688
TOTAL CURRENT ASSETS	<u>3,715,406</u>	<u>802,049</u>
NONCURRENT ASSETS		
Security Deposits	1,645	-
Property Held for Future Use, Net	366,871	353,700
Capital Assets, Net	3,745	13,480
TOTAL NONCURRENT ASSETS	<u>372,261</u>	<u>367,180</u>
TOTAL ASSETS	<u><u>\$ 4,087,667</u></u>	<u><u>\$ 1,169,229</u></u>

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable and Accrued Expense	\$ 95,768	\$ 68,014
Unearned Revenue	1,481,930	142,545
Pollution Remediation Obligation	128,980	157,150
Note Payable - Current Maturities	-	8,145
Accrued Interest - Current Maturities	3,552	-
TOTAL CURRENT LIABILITIES	<u>1,710,230</u>	<u>375,854</u>
NONCURRENT LIABILITIES		
Security Deposits	1,645	-
Accrued Interest	6,242	6,295
Note Payable - Net of Current Maturities	150,000	179,602
TOTAL NONCURRENT LIABILITIES	<u>157,887</u>	<u>185,897</u>
TOTAL LIABILITIES	<u>1,868,117</u>	<u>561,751</u>
NET POSITION		
Net Investment in Capital Assets	3,745	13,480
Restricted for Program Activities	74,178	24,398
Unrestricted	2,141,627	569,600
TOTAL NET POSITION	<u>2,219,550</u>	<u>607,478</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 4,087,667</u></u>	<u><u>\$ 1,169,229</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Government Grants	\$ 5,678,017	\$ 1,283,776
Corporate Contributions, Net	5,000	9,620
Contributions	14,000	14,000
Contributed Property	60,000	886,400
Sale of Property	92,659	120,260
Other Revenue	19,466	-
	<u>5,869,142</u>	<u>2,314,056</u>
TOTAL OPERATING REVENUES	<u>5,869,142</u>	<u>2,314,056</u>
OPERATING EXPENSES		
Property Expenses	3,682,178	1,915,750
Grants	82,183	2,700
Personnel	318,488	203,639
Pollution Remediation Expense	99,300	305,621
Rent	17,451	14,710
Contract Services	36,654	48,392
Administrative	31,330	18,469
Depreciation	4,244	5,991
Insurance	46,143	26,140
	<u>4,317,971</u>	<u>2,541,412</u>
TOTAL OPERATING EXPENSES	<u>4,317,971</u>	<u>2,541,412</u>
OPERATING INCOME/(LOSS)	<u>1,551,171</u>	<u>(227,356)</u>
NONOPERATING REVENUES/(EXPENSES)		
Interest Expense	(4,140)	(4,140)
Interest Income	-	68
Paycheck Protection Program Loan Forgiveness	37,747	-
Restitution Revenue	16,000	-
Gain on Sale of Capital Asset	11,294	-
	<u>60,901</u>	<u>(4,072)</u>
TOTAL NONOPERATING REVENUES/(EXPENSES)	<u>60,901</u>	<u>(4,072)</u>
NET DECREASE IN NET POSITION	1,612,072	(231,428)
NET POSITION - Beginning of Year	<u>607,478</u>	<u>838,906</u>
NET POSITION - End of Year	<u>\$ 2,219,550</u>	<u>\$ 607,478</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Government Grants	\$ 6,334,129	\$ 1,269,760
Receipts from Corporate Grants	5,000	9,620
Miscellaneous Receipts	13,216	-
Payments to Employees	(318,090)	(203,639)
Payments to Suppliers	(386,861)	(411,635)
Sale of Property	92,659	120,260
Acquisition of Property	<u>(3,885,311)</u>	<u>(992,551)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>1,854,742</u>	<u>(208,185)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest Paid	(641)	-
Proceeds from Notes Payable	<u>-</u>	<u>37,747</u>
NET CASH FROM FINANCING ACTIVITIES	<u>(641)</u>	<u>37,747</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	-	68
Restitution Received	16,000	-
Proceeds from Sale of Capital Asset	<u>16,786</u>	<u>-</u>
NET CASH FROM INVESTING ACTIVITIES	<u>32,786</u>	<u>68</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,886,887	(170,370)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>451,432</u>	<u>621,802</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 2,338,319</u></u>	<u><u>\$ 451,432</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and Cash Equivalents	\$ 856,389	\$ 451,432
Restricted Cash and Cash Equivalents	<u>1,481,930</u>	<u>-</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 2,338,319</u></u>	<u><u>\$ 451,432</u></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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH		
Operating Income (Loss)	\$ 1,551,171	\$ (227,356)
Adjustments to Reconcile Operating Income (Loss)		
To Net Cash Provided By Operations		
Depreciation Expense	4,244	5,991
Subsidy Allowance on Properties Held	2,893,314	1,180,173
Cost of Property Sold	575,056	417,654
Contributed Property Revenue	(60,000)	(886,400)
Property Grants	-	2,700
Changes in Operating Assets and Liabilities	-	-
Other Receivables	(6,250)	-
Government Grants Receivable	(555,802)	(8,171)
Property Held	(3,408,371)	(714,127)
Property Acquisition Deposit	(39,577)	(25,688)
Other Assets	-	80
Property Held	(438,012)	(296,556)
Accounts Payable and Accrued Expense	27,754	43,820
Unearned Revenue	1,339,385	142,545
Enviromental Liability	(28,170)	157,150
	<u> </u>	<u> </u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 1,854,742</u></u>	<u><u>\$ (208,185)</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, 2022

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, 2022

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, 2022 and 2021, government grants included no bad debt allowance.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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, 2022 and 2021, the Land Bank owned 307 and 211 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, 2022 and 2021, \$74,178 and \$24,398, 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, 2022

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, 2022 and 2021. 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 auditor's 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, 2022 and 2021, the uninsured and uncollateralized balances were \$2,089,963 and \$207,061, respectively.

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

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 expired on June 30, 2022. During the year ended December 31, 2022 and 2021, the Land Bank recognized revenue totaling \$159,942 and \$340,058, respectively.

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 expired on October 27, 2022. During the year ended December 31, 2022 and 2021, the Land Bank received \$2,963,327 and \$136,673, respectively, from the City under this agreement.

In May 2022, the Land Bank was awarded a \$1,000,000 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 expires on December 31, 2026. During the year ended December 31, 2022, the Land Bank received \$716,623 from the City under this agreement.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

In November 2022, the Land Bank was awarded a \$760,000 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 acquisition of a specified property and related cost. The agreement requires the Land Bank to obtain approval from the City for every aspect of the acquisition and the subsequent disposal of the property. This requirement does not expire. The agreement expires on December 31, 2026. During the year ended December 31, 2022, the Land Bank received \$50,000 from the City under this agreement.

In July 2022, the Land Bank was awarded a \$500,000 grant by the City. The agreement establishes that the funding is eligible 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, 2023. During the year ended December 31, 2022, the Land Bank recognized revenue totaling \$165,044.

The Land Bank also received \$0 and \$284,139 in other cost reimbursable grants for the purchase of property and \$8,000 and \$886,400 of contributed property from the City of Wilmington for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

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

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 expired on July 31, 2022. During the years ended December 31, 2022 and 2021, the Land Bank recognized revenue totaling \$0 and \$100,000, respectively, from DSHA under this agreement.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

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, 2022 and 2021, there were no revenues recognized from DSHA under this agreement.

NOTE 5: STATE OF DELAWARE GRANTS

Community Reinvestment Fund Grant Agreement - In June 2022, the Land Bank was awarded a \$850,000 grant by the State of Delaware under the Fiscal Year 2023 Bond and Capital Improvements Act (House Bill 475) for the Community Reinvestment Fund. The award establishes that the funding is eligible for buildings and capital improvement projects. The funding received under this agreement was recognized as grant revenue upon receipt as there is no cost reimbursement or matching clause. The Land Bank is required upon completion of each project to submit a full report detailing the work done, final cost, and an accounting of all funds within 60 days of completion of the project.

American Rescue Plan - State and Local Fiscal Recovery Funds - In August 2022, the Land Bank received a subrecipient grant award of \$4,500,000 from the State of Delaware's American Rescue Plan - State and Local Fiscal Recovery Funds that expires on December 31, 2024. This grant is to address the blight and provide revitalization to the houses around the new Bancroft School in Wilmington, Delaware. The agreement establishes that the Land Bank will expend the advanced funds in accordance with the project plan and relevant federal allowable cost regulations. The Land Bank received advanced funding of \$1,500,000 in December 2022, expended \$18,070 as of December 31, 2022 and the unexpended balance is reported as restricted cash.

NOTE 6: 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.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 7: 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. 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*.

	Available for Sale	Held for Future Use	Held for Development
December 31, 2022			
Property Cost/Carrying Value	\$ 3,476,376	\$ 2,373,342	\$ 415,646
Less: Subsidy Allowance on Properties Held	<u>(3,288,201)</u>	<u>(2,006,471)</u>	<u>(6,224)</u>
Net Property Held	<u>\$ 188,175</u>	<u>\$ 366,871</u>	<u>\$ 409,422</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>	<u>-</u>
Net Property Held	<u>\$ 172,756</u>	<u>\$ 353,700</u>	<u>\$ -</u>

The inventory basis of the property held for sale and held for development includes the purchase 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 8: CAPITAL ASSETS

Capital assets consisted of the following as of December 31:

	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
December 31, 2022				
Depreciable Capital Assets				
Vehicles	\$ 29,956	\$ -	\$ (14,978)	\$ 14,978
Less: Accumulated Depreciation	<u>(16,476)</u>	<u>(4,244)</u>	<u>9,487</u>	<u>(11,233)</u>
Capital Assets, Net	<u>\$ 13,480</u>	<u>\$ (4,244)</u>	<u>\$ (5,491)</u>	<u>\$ 3,745</u>

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 8: CAPITAL ASSETS - CONTINUED

	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
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>\$ 19,471</u>	<u>\$ (5,991)</u>	<u>\$ -</u>	<u>\$ 13,480</u>

Depreciation expense of \$4,244 and \$5,991 was recorded for the years ended December 31, 2022 and 2021, respectively.

NOTE 9: NOTES PAYABLE

Changes in notes payable for the years ended December 31:

	Balance 2021	Additions	Reductions	Balance 2022	Due Within One Year
Notes Payable					
SBA Economic Injury Disaster Loan	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -
SBA Paycheck Protection Program Loan	<u>37,747</u>	<u>-</u>	<u>(37,747)</u>	<u>-</u>	<u>-</u>
	<u>\$ 187,747</u>	<u>\$ -</u>	<u>\$ (37,747)</u>	<u>\$ 150,000</u>	<u>\$ -</u>
	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	<u>-</u>	<u>37,747</u>	<u>-</u>	<u>37,747</u>	<u>8,145</u>
	<u>\$ 150,000</u>	<u>\$ 37,747</u>	<u>\$ -</u>	<u>\$ 187,747</u>	<u>\$ 8,145</u>

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 9: 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 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 December 2022. The balance is due June 2050. The note is collateralized by the Land Bank's securities. Accrued interest at December 31, 2022 and 2021, was \$9,794 and \$6,295, respectively.

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's second PPP loan was forgiven in July 2022.

Annual notes payable service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest	Payments
2023	\$ -	\$ 7,692	\$ 7,692
2024	-	7,692	7,692
2025	1,537	6,155	7,692
2026	3,647	4,045	7,692
2027	3,748	3,944	7,692
2028 - 2032	20,342	18,118	38,460
2033 - 2037	23,342	15,118	38,460
2038 - 2042	26,772	11,688	38,460
2043 - 2047	30,705	7,755	38,460
2048 - 2050	39,907	2,278	42,185
	<u>\$ 150,000</u>	<u>\$ 84,485</u>	<u>\$ 234,485</u>

NOTE 10: 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.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 11: POLLUTION REMEDIATION OBLIGATION

During the years ended December 31, 2022 and 2021, the Land Bank received two and three sites subject, respectively, 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 were completed in 2022 for the five sites and remediation was completed for two sites 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 12: RESTRICTED NET POSITION

During the year ended December 31, 2019, the Land Bank received a restricted contribution for greening. As of December 31, 2022 and 2021, \$24,178 and \$24,398, respectively, of net position was restricted for this purpose.

During the year ended December 31, 2022, the Land Bank received a restricted grant for the purchase of a specific property. The acquisition and disposal of this property is subject to the City of Wilmington's approval. As of December 31, 2022, \$50,000 of net position was restricted for this purpose.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Contingencies - Certain conditions may exist as of the date the financial statements are issued, which may result in loss to the Land Bank but will only be resolved when one or more future events occur or fail to occur. The Land Bank's management assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to unasserted claims that may result in proceedings, the Land Bank evaluates the perceived merits of any unasserted claims.

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 13: COMMITMENTS AND CONTINGENCIES - CONTINUED

Grant Compliance - The Land Bank receives Federal and State funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on the filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustment resulting from subsequent examinations is recognized in the year in which the results of such examinations, if any, become known. The Land Bank does not expect any significant adjustment because of these examinations.

Contractual Commitments - As of December 31, 2022, the Land Bank had various non-cancelable contracts and construction-in-progress with outside contractors. These contracts will be payable upon future performance under the contracts.

**WILMINGTON NEIGHBORHOOD CONSERVANCY
LAND BANK CORPORATION**

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

***GOVERNMENT AUDITING STANDARDS* REPORT,**

SINGLE AUDIT REPORT, AND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2022

WILMINGTON NEIGHBORHOOD CONSERVANCY LAND BANK CORPORATION
(A Component Unit of the City of Wilmington, Delaware)
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***Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards***

To the Board of Directors
Wilmington Neighborhood Conservancy Land Bank Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wilmington Neighborhood Conservancy Land Bank Corporation (Land Bank), as of and for the year ended December 31, 2022, and the related notes to the financial statements and have issued our report thereon dated April 3, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

To the Board of Directors
Wilmington Neighborhood Conservancy Landbank

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

Wilmington Neighborhood Conservancy Land Bank Corporation's Responses to the Finding

Government Auditing Standard requires the auditor to perform limited procedures on the Land Bank's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Land Bank's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Land Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

April 3, 2024
Wilmington, Delaware



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***Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control Over Compliance
Required by the Uniform Guidance***

To the Board of Directors
Wilmington Neighborhood Conservancy Land Bank Corporation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Wilmington Neighborhood Conservancy Land Bank Corporation's (Land Bank) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Land Banks's major federal programs for the year ended December 31, 2022. Land Banks's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Land Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Wilmington Neighborhood Conservancy Land Bank Corporation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Wilmington Neighborhood Conservancy Land Bank Corporation's compliance with the compliance requirements referred to above.

To the Board of Directors
Wilmington Neighborhood Conservancy Landbank

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Wilmington Neighborhood Conservancy Land Bank Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Wilmington Neighborhood Conservancy Land Bank Corporation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Wilmington Neighborhood Conservancy Land Bank Corporation's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Wilmington Neighborhood Conservancy Land Bank Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Wilmington Neighborhood Conservancy Land Bank Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Wilmington Neighborhood Conservancy Land Bank Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
Wilmington Neighborhood Conservancy Landbank

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Wilmington Neighborhood Conservancy Land Bank Corporation's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Wilmington Neighborhood Conservancy Land Bank Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section on the previous page and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

To the Board of Directors
Wilmington Neighborhood Conservancy Landbank

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Land Bank's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Land Bank's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of Wilmington Neighborhood Conservancy Land Bank Corporation as of and for the year ended December 31, 2022, and have issued our report thereon dated April 3, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Belfint, Lyons & Shuman, P.A.

April 3, 2024
Wilmington, Delaware

**WILMINGTON NEIGHBORHOOD CONSERVANCY
LAND BANK CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Treasury City of Wilmington, Delaware - Identifying No. 17572 COVID-19 Coronavirus State and Local Recovery Funds	21.027	\$ 3,740,693	\$ -
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 3,740,693</u>	<u>\$ -</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federally insured loan balances and federal grant activity of the Land Bank and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The Land Bank has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**WILMINGTON NEIGHBORHOOD CONSERVANCY
LAND BANK CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material Weaknesses Identified? x Yes No
- Significant Deficiencies Identified that are Not Considered
to be Material Weaknesses? Yes x None Reported

Noncompliance Material to Financial Statements Noted? Yes x No

Federal Awards

Internal Control Over Major Programs:

- Material Weaknesses Identified? Yes x No
- Significant Deficiencies Identified that are Not Considered
to be Material Weaknesses? x Yes None Reported

Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported
in Accordance with the Uniform Guidance Yes x No

Identification of Major Program

Assistance Listing No. | Name of Federal Program or Cluster

21.027 | COVID-19 Coronavirus State and Local Recovery Funds

Dollar Threshold Used to Distinguish between Type A and
Type B Programs: \$ 750,000

Auditee Qualified as Low-Risk Auditee? Yes x No

**WILMINGTON NEIGHBORHOOD CONSERVANCY
LAND BANK CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2022**

II. FINANCIAL STATEMENT FINDING

Reference Number: 2022-001

Type of Finding: Material Weakness

Financial Closing Processes

Condition: Material journal entries proposed during the audit process were posted by Land Bank's Management to adjust the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). The following summarizes the material journal entries posted during the audit:

- Adjustments to properly recognize revenue increased assets by \$595,935, decreased liabilities by \$565,940, and increased revenue by \$1,161,877. The adjustments established receivables for cost reimbursement grants for which costs were incurred during the year ended December 31, 2023, and to recognize grant revenue from the State of Delaware that was originally reported as unearned.
- Adjustments to property held, available for sale, and related activity decreased assets by \$368,678; increased revenue by \$8,000, and increased expense by \$376,678. These adjustments were necessary to adjust the following areas:
 - Four properties transferred into the Land Bank in 2021 were not recorded until 2022.
 - The following adjustments to property were necessary:
 - Four properties were reported at expected net realizable value instead of the lesser cost.
 - An adjustment to account for corrections to the Land Bank's inventory analysis to correctly report inventory at the less of cost or net realizable value.

Criteria: The Land Bank's accounting policies require financial statements prepared in accordance with GAAP. Governmental Accounting Standards Board codification section R30, *Real Estate*, paragraph 192, *Recoverability*, states the following:

"The carrying amount of a real estate project, or parts thereof, held for sale or development and sale should not exceed net realizable value. If costs exceed net realizable value, capitalization of costs associated with development and construction of a property should not cease; rather, an allowance should be provided to reduce the carrying amount to estimated net realizable value, determined on the basis of an evaluation of individual projects...."

**WILMINGTON NEIGHBORHOOD CONSERVANCY
LAND BANK CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2022**

II. FINANCIAL STATEMENT FINDING - CONTINUED

Reference Number: 2022-001 - Continued

Cause: Accounting for properties held, received, and sold by the Land Bank and related construction activity requires a coordinated effort of Land Bank's management staff to identify properties received, properties purchased, properties sold, construction activities, and the estimated realizable value of each property on a routine basis. The process also includes collaborating with those in the accounting function to adjust the books to reflect the amounts determined by Land Bank management. Accounting for cost reimbursement grant revenues requires the Land Bank's staff to identify costs incurred that qualify for reimbursement from various grant agreements.

The Land Bank's property inventory listing and general ledger were not timely maintained during the year ended December 31, 2022. The Land Bank's December 31, 2022 close was finalized in October 2023.

Effect: Material audit adjustments were required to present the financial statements in accordance with GAAP.

Recommendation: We recommend the Land Bank design and implement a process to record property and grant-related activity in a timely manner to report in accordance with GAAP. This process should specify those responsible for identifying costs of reimbursable grants, properties received, properties purchased, properties sold, construction activity, and the estimated realizable value of each property. The process should also identify the timeline and frequency for communicating this information to those in charge of the accounting function and reconciling reported amounts to amounts reported in the Land Bank's financial statements. The process should be completed more frequently than on an annual basis and provide management and governance with accurate and timely interim information.

Views of Responsible Official and Planned Corrective Actions: See corrective action plan.

**WILMINGTON NEIGHBORHOOD CONSERVANCY
LAND BANK CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2022**

III. FEDERAL AWARD FINDING

U.S. Department of the Treasury

Finding: Procurement Policy & Procurement Action Documentation

Reference Number: 2022-002

Program: 21.027 COVID-19 State and Local Fiscal Recovery Funds Program

Type of Finding: Significant Deficiency

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The Land Bank has not adopted a written procurement policy. The Land Bank did not retain supporting documentation for procurements actions related to demolition contracts entered during the year ended December 31, 2022, with four demolition contractors totaling \$196,698 that were selected for testing.

Context: The Land Bank represented contractors were evaluated by analyzing City of Wilmington demolition permit information. The Land Bank did not retain documentation of this analysis to support its procurement actions.

Criteria: CFR § 200.318, *General Procurement Standards* and § 200.320 *Methods of Procurement to be Followed*, of the Uniform Guidance apply to the State and Local Fiscal Recovery Funds Program and require the following:

- i. The Land Bank must adopt documented procurement procedures that are consistent with the applicable State, local and federal regulations.
- ii. The Land Bank's documented procurement procedures must include the following elements at a minimum:
 - a. Micro-purposes - purchases up to \$50,000 may be made without soliciting competitive price or rate quotations if the price is considered reasonable.
 - b. Small Purchases - purchases between \$50,000 and \$250,000 may be made with soliciting competitive price or rate quotations from an adequate number of qualified sources.
 - c. Formal Procedures - purchases over \$250,000 must be made by seal bid or competitive proposal.

Cause: The Land Bank does not have a written procurement policy.

Question Costs: None

**WILMINGTON NEIGHBORHOOD CONSERVANCY
LAND BANK CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2022**

III. FEDERAL AWARD FINDING - CONTINUED

Reference Number: 2022-002 - Continued

Effect: The Land Bank did comply with the Uniform Guidance requirement to adopt a procurement policy and did not fully document its procurements.

Recommendation: We recommend Land Bank establish a procurement policy and prepare documentation for each procurement action.

**WILMINGTON NEIGHBORHOOD CONSERVANCY
LAND BANK CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022**

Reference Number: 2021-001

Type of Finding: Material Weakness

Financial Closing Processes

Condition: Material journal entries proposed during the audit process were posted by Land Bank's Management to adjust the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). The following summarizes the material journal entries posted during the audit:

- Adjustments to properly recognize revenue decreased assets by \$53,104, increased liabilities by \$330,154, decreased revenue by \$32,888, and increased expense by \$350,370. Revenue was adjusted to record deferred revenue for funds received in advance of meeting eligibility criteria and to accrue reimbursable grants.
- Adjustments to property held, available for sale and related activity decreased assets by \$111,151, increased liabilities by \$18,442, increased revenue by \$354,400, and increased expense by \$483,993. These adjustments were necessary to adjust the following areas:
 - Properties transferred into the Land Bank via noncash transactions.
 - The allowance for properties to the amounts expected to be realized by the Land Bank upon disposition.
 - Prepaid deposit received that was recorded to sales proceeds.
 - Inventory purchases that were recorded to expense.
 - Prepaid deposits for sheriff sale deposits that were recorded to expense.
 - Brownfield remediation liability and activity.
 - Accrued liabilities for property improvement expenses incurred in 2021.

Recommendation: We recommend the Land Bank design and implement a process to record property and grant-related activity in a timely manner to report in accordance with GAAP. This process should specify those responsible for identifying costs of reimbursable grants, properties received, properties purchased, properties sold, construction activity, and the estimated realizable value of each property. The process should also identify the timeline and frequency for communicating this information to those in charge of the accounting function and reconciling reported amounts to amounts reported in the Land Bank's financial statements. The process should be completed more frequently than on an annual basis and provide management and governance with accurate and timely interim information.

Current Status: Similar findings, although less numerous, were discovered during the 2022 audit. Refer to finding 2022-001.



404 N Market Street
Wilmington, Delaware 19801
Wilmingtonlandbank.org

Re: Management's Response & Corrective Action Plan to Financial Statement Finding (2022-001)

The Wilmington Land Bank is taking steps to rectify the deficiency identified in financial closing processes. In 2024, the organization partnered with an outside bookkeeping firm to review and perform clean up of 2023 and to assume specific accounting functions. Due to transition of staff at the organization, this process is still in progress; however, we have revised the staff roles to accommodate a higher level of finance professional as well as administrative support to help these efforts. The new roles in place will allow for the organization to be set up for success to provide the oversight and consistent support that was previously lacking, as well as allowing for separation of duties. We plan to review current processes and implement enhanced controls to mitigate the risk associated with the deficiency. This may involve revising existing processes, introducing new controls, or leveraging technological solutions to strengthen our accounting procedures.

Open communication is vital in addressing deficiencies and fostering a culture of accountability within our organization. We will keep all stakeholders informed about the progress of our remediation efforts, providing regular updates on milestones achieved and any challenges encountered along the way. Progress will be monitored by the Board of Directors Finance Committee. Please rest assured that the organization and staff are fully committed to addressing this deficiency promptly and comprehensively. Our goal is not only to rectify the current issue but also to strengthen our overall accounting controls framework to safeguard the integrity of our financial reporting processes.



404 N Market Street
Wilmington, Delaware 19801
Wilmingtonlandbank.org

Re: Management's Response & Corrective Action Plan to Procurement Policy & Action Documentation Finding (2022-002)

The Wilmington Land Bank is working to rectify the deficiency identified in the procurement policy and procurement action documentation finding. The Land Bank has committed to adopting a written procurement policy that will comply with federal requirements in 2 CFR Part 200 Subpart D as well as any local and state requirements. Becky Vogel, the Land Bank's Director of Finance will create the policy, the Land Bank's Finance Committee will review the policy, and the Land Bank's Board of Directors will adopt the policy no later than the August 1, 2024 Board of Directors meeting.