

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
(A Component Unit of the State of Delaware)**

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

JUNE 30, 2021 AND 2020

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION**
(A Component Unit of the State of Delaware)
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Independent Auditor's Report

To the Board of Directors
Fort DuPont Redevelopment and Preservation Corporation
Delaware City, Delaware

We have audited the accompanying financial statements of Fort DuPont Redevelopment and Preservation Corporation (a Component Unit of the State of Delaware) (the Organization) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Fort DuPont Redevelopment and Preservation Corporation

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As described more fully in Note 1 to the financial statements, the Organization has recorded the buildings and improvements, originally donated by the State of Delaware at insured value, and the land, originally donated by the State of Delaware, at values assessed for property tax purposes. In our opinion, accounting principles generally accepted in the United States of America require that donated capital assets be recorded at acquisition value, which would change the assets, net position, and expenses of the Organization. The amount by which this departure affects the assets, net position, and expenses of the Organization has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of Fort DuPont Redevelopment and Preservation Corporation, as of June 30, 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.

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

To the Board of Directors
Fort DuPont Redevelopment and Preservation Corporation

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fort DuPont Redevelopment and Preservation Corporation's financial statements. The statements of operating expenses and the statements of capital expenses are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The statements of operating expenses and the statements of capital expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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, except for the effects on the supplementary information of the qualified opinion on the financial statements, as explained in the "Basis for Qualified Opinion" paragraph, the statements of operating expenses and the statements of capital expenses are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of the Fort DuPont Redevelopment and Preservation Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fort DuPont Redevelopment and Preservation Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fort DuPont Redevelopment and Preservation Corporation's internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

December 22, 2021
Wilmington, Delaware

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION**
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021

As management of Fort DuPont Preservation and Redevelopment Corporation (the Organization), we offer readers of the Organization's basic financial statements this narrative overview and analysis of the financial activities of the Organization for the fiscal years ended June 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with additional information detailed in the audited financial statements. Management's discussion and analysis includes the June 30, 2021, 2020, and 2019 results.

Financial Highlights

- The assets of the Organization exceeded its liabilities at June 30, 2021, by \$55,499,947 (net position), as compared to \$54,764,876 at June 30, 2020, and \$53,127,801 at June 30, 2019. Included in this amount at June 30, 2021, are net investment in capital assets of \$55,159,388 and unrestricted net position of \$340,559.
- The Organization's total net position increased by \$735,071 during fiscal year 2021.

Overview of the Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to the Organization's basic financial statements. The Organization's basic financial statements are comprised of four components: Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and Notes to the Financial Statements.

The Statements of Net Position present information on all of the Organization's assets, including deferred outflow of resources (as applicable) and liabilities including deferred inflows of resources (as applicable), with the difference reported as Net Position. Over time, increases or decreases in Net Position, when read in conjunction with other data, may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statements of Revenues, Expenses, and Change in Net Position present information showing how the Organization's operations generated revenues and required expenses, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., outstanding invoices.)

The Statements of Cash Flows present information showing the Organization's cash receipts and payments during the fiscal period classified by principal sources and uses segregated into key elements.

Notes to the Financial Statements provide additional information that are essential to a full understanding of the data provided in the financial statements.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION**
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in conformity with U.S. Generally Accepted Accounting Principles (GAAP) applicable to governmental entities as prescribed by the GASB. The Organization is a component unit the State of Delaware. The Organization's activities are financed and operated as an enterprise fund such that costs and expenses of providing services are recovered primarily through user charges.

Financial Analysis

As noted earlier, Net Position, when read in conjunction with other data, may serve over time as a useful indicator of the financial position of the Organization. The Organization's assets exceeded liabilities by \$55,499,947 at the close of fiscal year 2021 and \$54,764,876 at the close of fiscal year 2020.

Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current Assets	\$ 490,975	\$ 223,234	\$ 208,078
Capital Assets	<u>56,427,093</u>	<u>56,221,201</u>	<u>55,191,553</u>
Total Assets	<u>\$ 56,918,068</u>	<u>\$ 56,444,435</u>	<u>\$ 55,399,631</u>
Current Liabilities	\$ 229,630	\$ 719,048	\$ 293,374
Non-Current Liabilities	<u>1,188,491</u>	<u>960,511</u>	<u>1,978,456</u>
Total Liabilities	<u>\$ 1,418,121</u>	<u>\$ 1,679,559</u>	<u>\$ 2,271,830</u>
NET POSITION			
Invested in Capital Assets,			
Net of Related Debt	\$ 55,159,388	\$ 54,889,335	\$ 53,054,763
Unrestricted	<u>340,559</u>	<u>(124,459)</u>	<u>73,038</u>
TOTAL NET POSITION	<u>\$ 55,499,947</u>	<u>\$ 54,764,876</u>	<u>\$ 53,127,801</u>

Net investment in capital assets constitutes 99.39% and 100.23% of the Organization's net position as of June 30, 2021 and 2020, respectively. The balance of net position \$340,559 and (\$124,459) as of June 30, 2021 and 2020, respectively, represents unrestricted net position available for any Organization-related business use.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION**
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021

Organization Activities

Organization activities increased the net position by \$735,071 during fiscal year 2021 and by \$1,637,075 during fiscal year 2020. Key elements of this change are as follows:

	2021	2020	2019
State Appropriations	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000
Historic Preservation Tax Credits	-	502,710	253,284
Rental and Reimbursements Income	681,196	619,251	434,137
Special Events Income	1,100	55,216	110,146
PPP Loan Forgiveness	93,500	-	-
Sales of Properties	1,865,141	1,505,000	670,000
Other Revenue	-	-	145
	4,890,937	4,932,177	3,717,712
 Total Revenue			
Personnel Services	523,774	480,212	293,719
Materials, Supplies, and Contractual Services	1,062,654	514,530	919,638
Cost of Sales of Properties	1,342,568	1,208,387	525,136
Depreciation	1,144,143	1,091,973	1,012,217
	4,073,139	3,295,102	2,750,710
 Total Operating Expenses			
Total Operating Income	817,798	1,637,075	967,002
 Total Interest Expense	82,727	-	-
 Change in Net Position	\$ 735,071	\$ 1,637,075	\$ 967,002

Revenue

During fiscal year 2021, the Organization earned \$4,890,937 in total revenue. This is a decrease of \$41,240 or 0.84% from the operating revenue of \$4,932,177 earned in Fiscal Year 2020. The Organization did not sell any historical tax credits during fiscal year 2021, leading to the decrease in total revenue.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION**
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021

Operating Expenses

The Organization's operating expenses increased to \$4,073,139 in fiscal year 2021 from \$3,295,102 in fiscal year 2020. Fiscal year 2021's operating expenses increased due to the increase in the cost of real estate sold as compared to fiscal year 2020. Materials, Supplies, and Contractual services increased to \$1,062,654 in fiscal year 2021 from \$514,530 in fiscal year 2020 due to an increase in expenses related to building improvements.

Capital Asset and Debt

Capital Assets - The Organization's total capital assets (net of accumulated depreciation) increased from \$56,221,201 as of June 30, 2020, to \$56,427,093 as of June 30, 2021. This \$205,892 increase, or 0.37%, relates to an increase in construction in progress. These capital assets include land and improvements, buildings, construction in progress, properties held for development, and equipment. Additional information on the capital assets can be found in Note 4 of the Notes to Financial Statements.

Long-Term Debt - At the end of the current fiscal year, the Organization had long-term debt outstanding of \$1,267,705. This is a decrease of \$64,141, or 4.82%, due to the payoff of the Parke Bank loan. The Organization also entered into loan agreements with WSFS Bank and an additional loan at Applied Bank. Additional information is available in Note 5 of the Notes to Financial Statements.

With the remaining Canal District lots scheduled to close with Rockwell Construction, the amount due Applied Bank of \$250,000 will be paid in FY22.

Requests for Information - This financial report is designed to provide a general overview of the Fort DuPont Redevelopment and Preservation Corporation's finances to its stakeholders and other users of such information. Requests for copies of this report, questions concerning any of the information in this report should be addressed to Jeffery D. Randol, Executive Director, 260 Old Elm Avenue, PO Box 521, Delaware City, Delaware 19706.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION**
STATEMENTS OF NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 472,643	\$ 211,701
Accounts Receivable	18,332	11,533
	490,975	223,234
TOTAL CURRENT ASSETS		
CAPITAL ASSETS		
Land	2,450,049	2,476,022
Construction in Progress	8,148,361	6,871,487
Property Held for Development	8,332,056	8,332,056
Buildings	41,829,316	41,829,316
Land Improvements	585,520	585,520
Building Improvements	250,868	250,868
Equipment	194,269	95,135
Less: Accumulated Depreciation	(5,363,346)	(4,219,203)
	56,427,093	56,221,201
NET CAPITAL ASSETS		
TOTAL ASSETS	\$ 56,918,068	\$ 56,444,435
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 141,115	\$ 337,760
Accrued Liabilities	4,551	-
Security Deposits	4,750	9,933
Current Portion of Long-Term Debt	79,214	371,355
	229,630	719,048
TOTAL CURRENT LIABILITIES		
LONG-TERM LIABILITY		
Long-Term Debt, Net of Current Portion	1,188,491	960,511
	1,418,121	1,679,559
TOTAL LIABILITIES		
NET POSITION		
Invested in Capital Assets, Net of Related Debt	55,159,388	54,889,335
Unrestricted Net Position	340,559	(124,459)
	55,499,947	54,764,876
TOTAL NET POSITION		
TOTAL LIABILITIES AND NET POSITION	\$ 56,918,068	\$ 56,444,435

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

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION**
STATEMENTS OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
REVENUE		
State Appropriations	\$ 2,250,000	\$ 2,250,000
Historic Preservation Tax Credits	-	502,710
Rental and Reimbursements Income	681,196	619,251
Special Events Income	1,100	55,216
Paycheck Protection Program Loan Forgiveness	93,500	-
Sales of Properties	1,865,141	1,505,000
TOTAL REVENUE	4,890,937	4,932,177
OPERATING EXPENSES		
Personnel Services	523,774	480,212
Materials, Supplies, and Contractual Services	1,062,654	514,530
Cost of Sales of Properties	1,342,568	1,208,387
Depreciation	1,144,143	1,091,973
TOTAL OPERATING EXPENSES	4,073,139	3,295,102
OPERATING INCOME	817,798	1,637,075
TOTAL INTEREST EXPENSE	82,727	-
CHANGE IN NET POSITION	735,071	1,637,075
NET POSITION - Beginning of Year	54,764,876	53,127,801
NET POSITION - End of Year	\$ 55,499,947	\$ 54,764,876

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

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION**
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Appropriations and Tax Credits Received	\$ 2,250,000	\$ 2,752,710
Rent and Reimbursements Received	669,214	616,624
Cash Received from Special Events	1,100	55,216
Proceeds from the Sale of Properties	1,865,141	1,505,000
Additions to Property and Equipment	(2,692,603)	(3,330,008)
Cash Paid to Suppliers	(1,254,748)	(297,110)
Cash Paid to Employees	(523,774)	(480,212)
	314,330	822,220
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	580,000	135,800
Repayments of Long-Term Debt	(550,661)	(940,724)
Interest Paid	(82,727)	-
	(53,388)	(804,924)
NET CHANGE IN CASH	260,942	17,296
CASH - Beginning of Year	211,701	194,405
CASH - End of Year	\$ 472,643	\$ 211,701
NON-CASH NON-CAPITAL FINANCING ACTIVITIES		
PPP Loan Forgiveness	\$ 93,500	\$ -

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

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Position	\$ 735,071	\$ 1,637,075
ADJUSTMENTS TO RECONCILE CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	1,144,143	1,091,973
Interest	82,727	-
PPP Loan Forgiveness	(93,500)	-
Cost of Sales of Property	1,342,568	1,208,387
(Increase) Decrease in Assets		
Accounts Receivable	(6,799)	2,140
Capital Assets	(2,692,603)	(3,330,008)
Increase (Decrease) in Liabilities		
Accounts Payable	(196,645)	217,420
Accrued Liabilities	4,551	-
Security Deposits	(5,183)	(4,767)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 314,330	\$ 822,220

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

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Fort DuPont Redevelopment and Preservation Corporation (the Organization) was created on July 23, 2014, when former State of Delaware Governor, Jack Markell, signed House Bill 310 into law. As a result, the Organization is an instrumentality of the State of Delaware, and the respective legislation defines the powers of the Organization. The State of Delaware’s Department of Natural Resources and Environmental Control is the Organization’s sole corporate member. The Organization is a component unit of the State of Delaware.

General - Fort DuPont is a property of great historic value to the State of Delaware. Named after Rear Adm. Samuel Francis DuPont, the former military post is situated on the Reedy Point tract, land originally granted to Henry Ward in 1675. A “proposed fort” was planned in 1819, which only appeared on Delaware River charts. Fort DuPont originated during the Civil War as a heavily armed earthwork fortification. In 1864, Sgt. Bishop Crumrine wrote, “these guns command the channel and could blow to atoms any vessel rash enough to attempt to pass.” In the decades to follow, “the battery at Delaware City” was gradually modernized into a formidable military post remaining active through World War II. Declared surplus, the site reopened in 1948 as the Governor Bacon Health Center. By 1996, over three-hundred acres were reestablished as Fort DuPont State Park. Fort DuPont is registered as a historic district on the National Register.

In 2013, the Department of Natural Resources and Environmental Control, in collaboration with Delaware City, conducted a planning process to revitalize the Historic Fort DuPont Complex into a vibrant mixed-use community, fully integrated with adjacent Delaware City. The General Assembly recognized that the Fort DuPont Complex along the Delaware River adjacent to Delaware City has enormous potential. It could be a sustainable, mixed-use community producing revenue, jobs, housing choices and recreational and other amenities while preserving its historic character and the surrounding environment. The Organization will act in a planning and development capacity. It can hold, own, preserve, develop, improve, construct, rent, lease, sell, or otherwise acquire or dispose of any real property, including without limitation, any real property comprising the Fort Delaware Complex or portion thereof transferred to the Organization.

Friends of Fort DuPont - On July 10, 2019, the Friends of Fort DuPont, Inc. was formed as a nonprofit corporation organized to raise funds and conduct programs dedicated to the cultural, historical, and aesthetic enhancement of the entire Fort DuPont complex. The Friends of Fort DuPont is reported as a component unit of the Organization, as required by GASBS No. 39, *Determining Whether Certain Organizations Are Component Units*. As of June 30, 2021, the Friends of Fort DuPont was inactive.

Measurement Focus and Basis of Accounting - The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP) applicable to governmental entities as prescribed by the Government Accounting Standards Board (GASB),

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued - except for the following matter. The Organization recorded its initial land, land improvements, and buildings received from the State of Delaware in a prior year. Such land has been recorded at assessment value. Related land improvements and buildings have been recorded at insured value. GAAP requires that capital assets donated to a government be recorded at Acquisition Value. Acquisition Value is defined as “The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date is referred to as acquisition value.” At the time the State of Delaware donated the initial land, land improvements, and buildings to the Organization, acquisition values were not available; therefore, the use of assessed and insured values represents a departure from GAAP.

Under the economic resources measurement focus and the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Operating revenues and expenses generally result from State Appropriations, sale of tax credits, sales of property, and leasing. Operating expenses include the cost of sales, the cost of services and administrative expenses. Any revenues and expenses not meeting this definition are recorded as nonoperating income and expenses. When an expense is incurred that can be paid using either restricted or unrestricted resources, it is the Organization’s policy to first apply the expense towards restricted resources and then towards unrestricted resources.

Income Tax Status - The Organization is exempt from income taxes under the provisions of Section 115 of the Internal Revenue Service Code.

Component Unit - The Organization is a Component Unit of the State of Delaware as defined by the Governmental Accounting Standards Board.

Depreciation - Newly acquired property and equipment are recorded at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2021 and 2020, was \$1,144,143 and \$1,091,973, respectively. The Organization generally uses the following useful lives:

Buildings and Improvements	40 Years
Land Improvements	15 Years
Vehicles and Equipment	5 Years

Maintenance and repairs costs are expensed as incurred. Gains or losses on sales or retirements are reflected in income.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Advertising and Marketing - Advertising and marketing costs total \$30,625 and \$23,472 for the years ended June 30, 2021 and 2020, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

For purposes of the statement of net position and the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, exceed federally insured limits.

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to the Organization. The Organization does not have a deposit policy for custodial credit risk. As of June 30, 2021 and 2020, the Organization's deposits with financial institutions had carrying amounts of \$472,643 and \$211,701 and bank balances of \$523,197 and \$396,107, respectively. As of June 30, 2021 and 2020, \$19,889 and \$96,671, respectively, of the Organization's bank balances were exposed to custodial credit risk as the amounts are uninsured and uncollateralized.

NOTE 3: OPERATIONS AND CONCENTRATION OF RISK

The Organization receives a substantial amount of its revenue from State of Delaware appropriations. If a significant reduction in the level of this revenue were to occur, it would have an effect on the Organization's operations.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

NOTE 4: PROPERTY AND EQUIPMENT

The following is a summary of changes in property and equipment for the year ended June 30, 2021:

	<u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>
Property and Equipment Not Being Depreciated				
Land	\$ 2,476,022	\$ -	\$ 25,973	\$ 2,450,049
Construction in Progress	6,871,487	2,593,469	1,316,595	8,148,361
Buildings Held for Development	8,332,056	-	-	8,332,056
Total Capital Assets Not Being Depreciated	<u>17,679,565</u>	<u>2,593,469</u>	<u>1,342,568</u>	<u>18,930,466</u>
Property and Equipment Being Depreciated				
Buildings	41,829,316	-	-	41,829,316
Land Improvements	585,520	-	-	585,520
Building Improvements	250,868	-	-	250,868
Vehicles and Equipment	95,135	99,134	-	194,269
Total Capital Assets Being Depreciated	<u>42,760,839</u>	<u>99,134</u>	<u>-</u>	<u>42,859,973</u>
Less: Accumulated Depreciation for				
Land Improvements	45,114	39,035	-	84,149
Buildings and Improvements	4,159,712	1,066,328	-	5,226,040
Vehicles and Equipment	14,377	38,780	-	53,157
Total Accumulated Depreciation	<u>4,219,203</u>	<u>1,144,143</u>	<u>-</u>	<u>5,363,346</u>
Total Capital Assets Being Depreciated, Net	<u>38,541,636</u>	<u>(1,045,009)</u>	<u>-</u>	<u>37,496,627</u>
Total Capital Assets, Net	<u>\$ 56,221,201</u>	<u>\$ 1,548,460</u>	<u>\$ 1,342,568</u>	<u>\$ 56,427,093</u>

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

NOTE 4: PROPERTY AND EQUIPMENT - CONTINUED

The following is a summary of changes in property and equipment for the year ended June 30, 2020:

	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Property and Equipment Not Being Depreciated				
Land	\$ 2,497,548	\$ -	\$ 21,526	\$ 2,476,022
Construction in Progress	5,079,890	3,351,243	1,559,646	6,871,487
Buildings Held for Development	8,542,194	-	210,138	8,332,056
	<u>16,119,632</u>	<u>3,351,243</u>	<u>1,791,310</u>	<u>17,679,565</u>
Total Capital Assets Not Being Depreciated				
Property and Equipment Being Depreciated				
Buildings	41,431,472	397,844	-	41,829,316
Land Improvements	585,520	-	-	585,520
Building Improvements	151,099	99,769	-	250,868
Vehicles and Equipment	31,060	76,855	12,780	95,135
	<u>42,199,151</u>	<u>574,468</u>	<u>12,780</u>	<u>42,760,839</u>
Total Capital Assets Being Depreciated				
Less: Accumulated Depreciation for				
Land Improvements	6,079	39,035	-	45,114
Buildings and Improvements	3,114,401	1,045,311	-	4,159,712
Vehicles and Equipment	6,750	7,627	-	14,377
	<u>3,127,230</u>	<u>1,091,973</u>	<u>-</u>	<u>4,219,203</u>
Total Accumulated Depreciation				
Total Capital Assets Being Depreciated, Net	<u>39,071,921</u>	<u>(517,505)</u>	<u>12,780</u>	<u>38,541,636</u>
Total Capital Assets, Net	<u>\$ 55,191,553</u>	<u>\$ 2,833,738</u>	<u>\$ 1,804,090</u>	<u>\$ 56,221,201</u>

Land includes the assessed value of lots available for sale.

Construction in progress includes costs accumulated through June 30, 2021, for various rehabilitation and construction projects currently underway.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

NOTE 4: PROPERTY AND EQUIPMENT - CONTINUED

Buildings not placed in service represents the insured value of various real estate properties the Organization received from the State of Delaware in a prior year, plus certain rehabilitation and development costs paid and less certain buildings that are now in service.

NOTE 5: LONG-TERM DEBT

The following is a summary of debt transactions for the Organization for the year ended June 30, 2021:

	<u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Tenant Reimbursement	\$ 21,666	\$ -	\$ 2,500	\$ 19,166	\$ 10,000
Paycheck Protection Program	93,500	-	93,500	-	-
Parke Bank Loan	241,063	-	241,063	-	-
Tri Supply Equipment	42,300	-	16,200	26,100	16,200
WSFS Loan	-	80,000	13,748	66,252	15,299
Applied Bank Loans	933,337	500,000	277,150	1,156,187	37,715
Total Debt	<u>\$ 1,331,866</u>	<u>\$ 580,000</u>	<u>\$ 644,161</u>	<u>\$ 1,267,705</u>	<u>\$ 79,214</u>

The following is a summary of debt transactions for the Organization for the year ended June 30, 2020:

	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Tenant Reimbursement	\$ 33,333	\$ -	\$ 11,667	\$ 21,666	\$ 10,833
Paycheck Protection Program	-	93,500	-	93,500	93,500
Parke Bank Loan	913,063	-	672,000	241,063	241,063
Tri Supply Equipment	-	42,300	-	42,300	16,200
Applied Bank Loan	1,190,394	-	257,057.00	933,337	9,759
Total Debt	<u>\$ 2,136,790</u>	<u>\$ 135,800</u>	<u>\$ 940,724</u>	<u>\$ 1,331,866</u>	<u>\$ 371,355</u>

The Organization entered into a commercial construction loan agreement with Applied Bank (Applied) on July 27, 2017, for an amount up to \$1,550,000. Interest is computed based on the highest prime rate published daily in the Wall Street Journal's listing of "Money Rates" plus 2.00%, with a floor of 6.00%. The interest rate at June 30, 2021, is 6.00%. The purpose of the loan is to renovate seven officers' quarters residences in the historic Fort DuPont Complex.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

NOTE 5: LONG-TERM DEBT - CONTINUED

The borrowings are secured by a mortgage on these real properties owned by the Organization and the assignment of present and future leases, rents, and profits with respect to these properties to Applied. The loan term was two years' interest only during the construction period, followed by a five-year term loan, amortized over 25 years with final payment of any outstanding principal and accrued interest due on August 1, 2024. During the two-year interest only period, the Organization was required to sell certain improved real estate and apply proceeds to reduce the loan balance to \$950,000. Outstanding borrowings totaled \$906,187 and \$933,337 as of June 30, 2021 and 2020, respectively.

The Organization entered into a commercial construction loan agreement with Applied on February 5, 2021, for an amount up to \$500,000. Interest is computed based on the highest prime rate published daily in the Wall Street Journal's listing of "Money Rates" plus 2.00%, with a floor of 4.75%. The interest rate at June 30, 2021, was 4.75%. The purpose of the loan is to renovate residences in the historic Fort DuPont Complex.

The borrowings are secured by a mortgage on these real properties owned by the Organization and the assignment of present and future leases, rents, and profits with respect to these properties to Applied. The loan term was two years' interest only during the construction period, followed by a two-year term loan, amortized over 25 years with final payment of any outstanding principal and accrued interest due on January 31, 2023. Outstanding borrowings total \$250,000 as of June 30, 2021.

The Organization entered into a construction loan agreement with Parke Bank (Parke) on January 18, 2019, for \$1,200,000. Interest is computed based on the highest prime rate published daily in the Wall Street Journal's listing of "Money Rates" plus 1.00%, with a floor of 6.25%. The purpose of the loan is to develop 71 lots in the Canal District of the Fort Dupont Complex. The borrowings are secured by a mortgage on these real properties owned by the Organization and the assignment of present and future leases, rents, and profits with respect to these properties to Parke. The loan term was two years' interest only with final payment of any outstanding principal and accrued interest due on December 1, 2020. Outstanding borrowings total zero and \$241,063 at June 30, 2021 and 2020, respectively. Outstanding borrowings were paid off on September 25, 2020.

On July 31, 2020, the Organization entered into a loan agreement with WSFS Bank, for \$80,000 for the purchase of two vehicles, secured by the vehicles. The loan has a fixed interest rate of 4.75% with a five-year term. The outstanding balance on the loan was \$66,252 at June 30, 2021.

The Organization has an agreement with a previous tenant in connection with their restoration and rehabilitation of a building owned by the Organization. The Organization has agreed to reimburse the previous tenant \$50,000 over five years in monthly installments of \$833 starting August 1, 2017. The outstanding balance due at June 30, 2021 and 2020 was \$19,166 and \$21,666, respectively.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

NOTE 5: LONG-TERM DEBT - CONTINUED

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted into law. In May 2020, the Organization applied for and received a \$93,500 loan under the Paycheck Protection Program section of the CARES Act. The loan had a fixed interest rate of 1% and has a two-year term. The note is expected to be forgiven under the provisions of the CARES Act subject to approval by the Organization’s lender and the Small Business Administration.

Under the program, if the funds were used to pay payroll and other allowable costs and if certain other conditions were met, the loan could be forgiven upon application to and approval by the U.S. Small Business Administration. As of the date of these financial statements, management had determined that all conditions for forgiveness had been substantially met as of June 30, 2021, and had submitted application for such forgiveness. As such, the loan balance at June 30, 2021, was zero and the loan proceeds were presented as revenue, under the provisions of GASB 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

The Organization entered into an agreement with a third party to finance equipment. The Organization will make monthly payments ranging from \$540 to \$810 with maturity dates ranging from September 2022 to September 2023. Interest is 0%. The outstanding balance due at June 30, 2021 and 2020, was \$26,100 and \$42,300, respectively.

In February 2021, the Organization entered into a loan agreement with Applied for \$885,000 for site development. As of June 30, 2021, the Organization had not drawn on the loan.

Maturities of long-term debt are as follows:

2022	\$	79,214
2023		69,354
2024		55,667
2025		56,969
Thereafter		<u>1,006,501</u>
Total	\$	<u><u>1,267,705</u></u>

The total interest cost incurred during the years ended June 30, 2021 and 2020, was \$80,184 and \$126,781, respectively. It was capitalized as part of the cost of construction in progress.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

NOTE 6: RETIREMENT PLAN

The Organization maintains a 401(k) retirement plan, covering employees who have completed 90 days of service and who are at least 21 years of age. The Organization matches 100% of the first 4% of the employees' contributions. Employees can contribute up to 100% of their compensation or the statutory limit. The Organization's contribution to the plan was \$10,816 and \$16,613 for the years ended June 30, 2021 and 2020, respectively.

NOTE 7: LEASES - LESSOR

Operating Lease Commitments - The Organization leases various real estate properties to tenants under operating leases with terms between one and ten years. The Organization received \$681,196 and \$619,251 in rental income during the years ended June 30, 2021 and 2020, respectively. Of these amounts, \$483,753 and \$450,759, respectively, were from agencies of the State of Delaware, the primary government and a related party. Leased properties have a combined cost of \$19,072,501 and accumulated depreciation of \$2,241,732.

The following is a schedule by year of future minimum rentals under the leases at June 30, 2021:

2022	\$	106,915
2023		21,765
2024		19,815
2025		19,815
2026		19,815
Thereafter		<u>48,959</u>
Total	\$	<u><u>237,084</u></u>

NOTE 8: HISTORIC PRESERVATION TAX CREDITS

The Organization has completed qualified redevelopment and rehabilitation projects on certain owned real estate and improvements, entitling it to Delaware Historic Preservation Tax Credits. During the years ended June 30, 2021 and 2020, the Organization was awarded such tax credits from the State of Delaware in the amount of zero and \$546,424, respectively, and sold them, at a discount, to third parties for zero and \$502,710 during the years ended June 30, 2021 and 2020, respectively.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated all subsequent events through the date the financial statements were available to be issued.

On August 13, 2021, the Organization sold a historical tax credit for \$127,461 to a third party.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

NOTE 9: SUBSEQUENT EVENTS - CONTINUED

On October 29, 2021, the Organization closed on the sale of two parcels of land (Grassdale Conference Land and Grassdale Surrounding Land Area) as a recreational vehicle resort and campground area with RIG Acquisitions, LLC for \$5,000,000.

NOTE 10: COVID-19 GLOBAL PANDEMIC

The worldwide spread of the COVID-19 virus has resulted in adverse economic effects for many businesses resulting from interruptions in the supply-chain, diminished ability for customers to buy and timely pay, business interruptions and potential effects on the labor force resulting from mandated quarantines, government ordered shutdowns and stay at home orders.

The broader and longer-term implications of the COVID-19 pandemic on the Organization's overall financial performance remains highly uncertain, and therefore, management cannot predict the full impact the pandemic, or any resulting market disruption and volatility, will have on business, cash flows, liquidity, financial condition and results of operations at this time. The ultimate impact will depend on future developments, including, among others, the ongoing spread of COVID-19, the consequences of governmental and other measures designed to prevent the spread of the virus, the development of effective treatments, the duration and severity of the pandemic, actions taken by customers, suppliers and other third parties, workforce availability, and the timing and extent to which normal economic and operating conditions resume and continue.

Additionally, it is reasonably possible that estimates made in the financial statements may be negatively impacted in the near term as a result of the present situation.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The Organization has entered into various real estate sales agreements and construction agreements that are ongoing for the sale and construction of projects within Fort DuPont. The Organization's real estate sales agreements require the Organization to complete the development of certain lots for sale within a mutually agreed upon time frame with the purchaser.

The Organization has entered into several contracts for site work with Corrado Construction Co. for various phases of the development. Contracts are both fixed price and time and materials. Site work is ongoing.

On June 13, 2018, the Organization entered into a contract with Rockwell DuPont I, LLC to purchase and develop lots, for amounts between \$80,000 and \$120,000 per lot. There have been four amendments to the original contract (October 22, 2018, June 6, 2018, August 22, 2019, and September 17, 2020). Development of the lots is ongoing.

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021**

NOTE 11: COMMITMENTS AND CONTINGENCIES - CONTINUED

On September 30, 2020, the Organization entered into a contract with U.S. Home Corporation D/B/A Lennar Corporation to purchase and develop 13.3 acres of land as 130 twin and stacked townhouse condominium units for \$20,000 per homesite. Development of the lots is ongoing.

SUPPLEMENTARY INFORMATION

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION
STATEMENTS OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Administrative Expenses	\$ 100,110	\$ 129,995
Building Improvements	2,583,694	2,410,298
Common Area Maintenance	277,414	330,903
Cost of Sales of Properties	1,342,568	1,208,387
Depreciation Expenses	1,144,143	1,091,973
Marketing Expenses	30,625	23,472
Operating Expenses	41,534	37,245
Payroll Expenses	523,774	480,212
Professional Fees	456,078	539,144
Special Event Expenses	(850)	77,848
Utilities Expense	181,866	179,431
Amounts Capitalized as Property and Equipment	<u>(2,607,817)</u>	<u>(3,213,806)</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 4,073,139</u></u>	<u><u>\$ 3,295,102</u></u>

**FORT DUPONT REDEVELOPMENT AND
PRESERVATION CORPORATION**
STATEMENTS OF CAPITAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Accounting	\$ -	\$ 37,444
Architectural	8,262	28,899
Building Improvements	1,157,674	1,206,121
Construction Labor	-	277,697
Debt Expense	-	68,164
Demolition	-	88,305
Engineering	139,089	327,031
Insurance	14,606	10,996
Landscaping and Signage	52,619	110,126
Legal	32,320	77,653
Permitting	-	449
Roadways and Utilities	1,203,247	980,921
Amounts Capitalized as Property and Equipment	<u>(2,607,817)</u>	<u>(3,213,806)</u>
TOTAL CAPITAL EXPENSE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>