

TRUSTEES OF THE NEW CASTLE COMMON

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

MARCH 31, 2021 AND 2020

TRUSTEES OF THE NEW CASTLE COMMON
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Independent Auditors' Report

To the Board of Trustees
Trustees of the New Castle Common

We have audited the accompanying financial statements of the Trustees of the New Castle Common (a nonprofit organization), which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Trustees
Trustees of the New Castle Common

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trustees of the New Castle Common as of March 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Belfint, Lyons & Shuman, P.A.

July 16, 2021

Wilmington, Delaware

TRUSTEES OF THE NEW CASTLE COMMON
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2021 AND 2020

ASSETS

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 475,324	\$ 2,500	\$ 477,824	\$ 468,572	\$ -	\$ 468,572
Accounts Receivable and Accrued Revenues	70,150	-	70,150	38,591	-	38,591
Prepaid Expenses	37,233	-	37,233	39,495	-	39,495
TOTAL CURRENT ASSETS	582,707	2,500	585,207	546,658	-	546,658
INVESTMENTS						
Investments Measured at Fair Value	2,355,784	7,633,987	9,989,771	1,636,677	5,668,167	7,304,844
Investments in Life Settlement Contracts Accounted for Under Investment Method (Note 5)	-	126,614	126,614	-	126,614	126,614
TOTAL INVESTMENTS	2,355,784	7,760,601	10,116,385	1,636,677	5,794,781	7,431,458
PROPERTY AND EQUIPMENT						
Land, Buildings, and Improvements	1,848,118	2,039,223	3,887,341	1,415,714	2,039,223	3,454,937
Construction in Progress	22,713	-	22,713	112,437	-	112,437
Old Library	117,317	208,684	326,001	117,317	208,684	326,001
New Library	1,434,253	524,735	1,958,988	1,368,077	524,735	1,892,812
Fire Station	301,396	276,775	578,171	301,396	276,775	578,171
Dialysis Center	1,145,854	-	1,145,854	1,145,854	-	1,145,854
Town Hall	284,916	387,993	672,909	243,916	387,993	631,909
Bellanca Airfield	284,946	168,324	453,270	284,946	168,324	453,270
Penn Farm	384,040	105,803	489,843	384,040	105,803	489,843
Furniture and Fixtures	23,684	-	23,684	23,684	-	23,684
Machinery and Equipment	71,002	-	71,002	61,102	-	61,102
Total Property and Equipment	5,918,239	3,711,537	9,629,776	5,458,483	3,711,537	9,170,020
Less: Accumulated Depreciation	1,708,672	1,571,411	3,280,083	1,532,462	1,540,449	3,072,911
NET PROPERTY AND EQUIPMENT	4,209,567	2,140,126	6,349,693	3,926,021	2,171,088	6,097,109
TOTAL ASSETS	\$ 7,148,058	\$ 9,903,227	\$17,051,285	\$ 6,109,356	\$ 7,965,869	\$14,075,225

LIABILITIES AND NET ASSETS

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT LIABILITIES						
Accounts Payable	\$ 25,579	\$ -	\$ 25,579	\$ 30,990	\$ -	\$ 30,990
Accrued Expenses	-	-	-	11,140	-	11,140
Deferred Rental Income	109,854	-	109,854	93,378	-	93,378
Payroll Liabilities	-	-	-	1,714	-	1,714
Current Maturities of Lease Credit	17,500	-	17,500	17,500	-	17,500
Current Maturities of Long-Term Debt	33,725	-	33,725	33,725	-	33,725
TOTAL CURRENT LIABILITIES	186,658	-	186,658	188,447	-	188,447
LONG-TERM LIABILITIES						
Deposits	21,698	-	21,698	21,698	-	21,698
Environmental Liabilities	53,000	-	53,000	53,000	-	53,000
Long-Term Lease Credit, Net of Current Maturities	236,250	-	236,250	253,750	-	253,750
Long-Term Debt, Net of Current Maturities	153,905	-	153,905	187,630	-	187,630
TOTAL LONG-TERM LIABILITIES	464,853	-	464,853	516,078	-	516,078
TOTAL LIABILITIES	651,511	-	651,511	704,525	-	704,525
NET ASSETS						
Without Donor Restrictions	6,496,547	-	6,496,547	5,404,831	-	5,404,831
With Donor Restrictions	-	9,903,227	9,903,227	-	7,965,869	7,965,869
TOTAL NET ASSETS	6,496,547	9,903,227	16,399,774	5,404,831	7,965,869	13,370,700
TOTAL LIABILITIES AND NET ASSETS	\$ 7,148,058	\$ 9,903,227	\$ 17,051,285	\$ 6,109,356	\$ 7,965,869	\$ 14,075,225

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

TRUSTEES OF THE NEW CASTLE COMMON
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND GAINS						
Rental Income	\$ 1,718,414	\$ -	\$ 1,718,414	\$ 1,645,479	\$ -	\$ 1,645,479
Taxes from Tenants	1,148,030	-	1,148,030	1,149,681	-	1,149,681
Sewer from Tenants	120,110	-	120,110	114,253	-	114,253
Contributions	485,330	2,500	487,830	519,070	-	519,070
Miscellaneous Income	-	-	-	3,061	-	3,061
Subtotal	3,471,884	2,500	3,474,384	3,431,544	-	3,431,544
Investment Income - Net						
Interest Income	14,221	-	14,221	12,720	-	12,720
Dividend Income	192,087	-	192,087	224,390	-	224,390
Realized and Unrealized Gain (Loss)	562,454	1,965,820	2,528,274	(232,689)	(884,016)	(1,116,705)
Investment Income from Life Settlement Contracts (Note 5)	-	-	-	-	11,195	11,195
Investment Fees	(47,693)	-	(47,693)	(52,375)	-	(52,375)
Total Investment Income - Net	721,069	1,965,820	2,686,889	(47,954)	(872,821)	(920,775)
Net Assets Released from Restrictions	30,962	(30,962)	-	31,358	(31,358)	-
TOTAL REVENUE AND GAINS	4,223,915	1,937,358	6,161,273	3,414,948	(904,179)	2,510,769
EXPENSES						
Program Services	3,017,608	-	3,017,608	2,972,648	-	2,972,648
Support Services						
Management and General	114,591	-	114,591	134,843	-	134,843
Fundraising	-	-	-	-	-	-
Total Support Services	114,591	-	114,591	134,843	-	134,843
TOTAL EXPENSES	3,132,199	-	3,132,199	3,107,491	-	3,107,491
CHANGE IN NET ASSETS	1,091,716	1,937,358	3,029,074	307,457	(904,179)	(596,722)
NET ASSETS - Beginning of Year	5,404,831	7,965,869	13,370,700	5,097,374	8,870,048	13,967,422
NET ASSETS - End of Year	\$ 6,496,547	\$ 9,903,227	\$16,399,774	\$ 5,404,831	\$ 7,965,869	\$13,370,700

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

TRUSTEES OF THE NEW CASTLE COMMON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2021

	<u>Support Services</u>			Total Support Services	Total Program and Support Services
	Program Services	Management and General	Fundraising		
Payroll Expense	\$ 67,933	\$ 18,570	\$ -	\$ 18,570	\$ 86,503
Appropriations	225,000	-	-	-	225,000
Contributions	247,705	-	-	-	247,705
Rent/In-Kind Contributions	480,400	-	-	-	480,400
Depreciation	205,230	1,942	-	1,942	207,172
Insurance	60,222	-	-	-	60,222
Interest Expense	4,726	-	-	-	4,726
Repairs and Maintenance	388,545	-	-	-	388,545
Scholarship Expense	56,500	-	-	-	56,500
Sewer	117,908	-	-	-	117,908
Taxes	1,162,894	-	-	-	1,162,894
Miscellaneous	545	458	-	458	1,003
Printing and Office Supplies	-	25,210	-	25,210	25,210
Professional Fees	-	68,411	-	68,411	68,411
TOTAL FUNCTIONAL EXPENSES	\$ 3,017,608	\$ 114,591	\$ -	\$ 114,591	\$ 3,132,199

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

TRUSTEES OF THE NEW CASTLE COMMON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2020

	<u>Support Services</u>			Total Support Services	Total Program and Support Services
	Program Services	Management and General	Fundraising		
Payroll Expense	\$ 60,296	\$ 16,883	\$ -	\$ 16,883	\$ 77,179
Appropriations	225,000	-	-	-	225,000
Contributions	231,716	-	-	-	231,716
Rent/In-Kind Contributions	519,070	-	-	-	519,070
Depreciation	189,718	1,321	-	1,321	191,039
Insurance	57,199	-	-	-	57,199
Interest Expense	10,017	-	-	-	10,017
Repairs and Maintenance	326,737	-	-	-	326,737
Scholarship Expense	69,516	-	-	-	69,516
Sewer	116,346	-	-	-	116,346
Taxes	1,167,033	-	-	-	1,167,033
Miscellaneous	-	-	-	-	-
Printing and Office Supplies	-	27,363	-	27,363	27,363
Professional Fees	-	89,276	-	89,276	89,276
TOTAL FUNCTIONAL EXPENSES	\$ 2,972,648	\$ 134,843	\$ -	\$ 134,843	\$ 3,107,491

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

TRUSTEES OF THE NEW CASTLE COMMON
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Activities	\$ 3,480,471	\$ 3,217,031
Cash Paid to Supplies and Employees	(3,022,667)	(2,837,300)
Interest and Dividends Received	206,308	237,110
Interest Paid	(4,726)	(10,017)
	<u>659,386</u>	<u>606,824</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Improvements, and Equipment	(459,756)	(250,883)
Purchase of Investments	(3,576,461)	(2,126,533)
Proceeds from Sale of Investments	3,419,808	1,862,897
Proceeds from Life Settlement Contracts	-	34,581
	<u>(616,409)</u>	<u>(479,938)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on Long-Term Debt	(33,725)	(33,725)
	<u>9,252</u>	<u>93,161</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>9,252</u>	<u>93,161</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of Year	<u>468,572</u>	<u>375,411</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of Year	<u>\$ 477,824</u>	<u>\$ 468,572</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Decrease in Lease Credit	<u>\$ 17,500</u>	<u>\$ 17,500</u>

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

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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

Nature of Activities - The Trustees of the New Castle Common, a not-for-profit organization (the Trust) was incorporated in 1764 and reincorporated by the State Assembly in 1792. The purpose of the Trust is to benefit the inhabitants and preserve the historical City of New Castle and the remaining lands and open space now held in trust. Its income is derived primarily from property rentals and investment activities.

Basis of Accounting - The financial statements of the Trust have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America for not-for-profit organizations. Consequently, revenue and gains are recognized when earned and expenses and losses are recognized when incurred.

Financial Statement Presentation - In accordance with ASU (Accounting Standards Update) 2016-14, *Not-For-Profit Entities* (Topic 958) - *Presentation of Financial Statements of Not-For-Profit Entities*, the Trust is required to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Trust. These net assets may be used at the discretion of the Trust with Board approval.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Trust or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates - The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America 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 revenues and expenses during the reporting period. Actual results could vary from the estimates used.

Recognition of Donor Restrictions - Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other support with donor restrictions is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

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

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Trust considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for bad debt expense for the years ended March 31, 2021 and 2020.

Investments - In accordance with ASC (Accounting Standards Codification) 958, *Not-For-Profit Entities*, regarding accounting for certain investments held by not-for-profit organizations, investments are reported at market value or amortized cost. Assets with a readily determinable market value are reported at market value. Assets without a readily determinable market value are reported at amortized cost. Donated securities also are reported at fair market value as of the date of receipt. All realized and unrealized gains and losses arising from fluctuations in market value, sales, or other dispositions of assets are accounted for in the class of net assets that owns the investment. Investment interest and dividends are reported as increases in net assets without donor restrictions, if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the interest and dividends are recognized.

Property and Equipment - Property titled in colonial times has no cost basis to the Trust and consequently is not valued in the statement of financial position. All property acquired since colonial times, except the Old Library and Town Hall, were initially recorded at lower of cost or fair market value. The Old Library and Town Hall costs cannot be determined.

Property and equipment are stated at cost. Cost is the purchase price at the date of acquisition if purchased or fair value at the date of donation if acquired by gift. Expenditures in excess of \$5,000 for property and equipment additions, major renewals, and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed over the estimated useful lives of property and equipment using the straight-line method.

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

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

Property and Equipment - Continued

The following is a schedule of the estimated useful lives:

Land Improvements	15 Years
Furniture and Fixtures	7 Years
Buildings and Improvements	31½ - 40 Years
Machinery and Equipment	5 Years

Depreciation expense for the years ended March 31, 2021 and 2020 was \$207,172 and \$191,039, respectively.

Functional Expense Allocation - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Such allocations are determined by management on an equitable basis. The expenses that are allocated include depreciation, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, office expenses, interest, and other, which are allocated on basis of time and effort.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Reclassification - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Income Taxes - The Trust is a charitable (not-for-profit), nonstock, Delaware Corporation that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal, state or local income tax in the accompanying financial statements. In addition, the Trust has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the IRC (which could have resulted in certain taxes charged against the Trust). Classification as a charitable organization is for Internal Revenue Code purposes only and does not constitute classification as a “Public Body” as that term is defined within the Delaware Freedom of Information Act.

The Trust adheres to ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions. Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if a respective government agency examined tax returns subject to audit. Accordingly, no provision

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

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

Income Taxes - Continued - for the effects of uncertain tax positions has been recorded. Currently, the 2017, 2018 and 2019 tax years are open and subject to examination by the Internal Revenue Service. However, the Trust is not currently under audit nor has the Trust been contacted by this jurisdiction. Interest and penalties related to income taxes are included in income tax expense when incurred.

Subsequent Events - The Trust has evaluated subsequent events through the date the financial statements were available to be issued.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

	2021	2020
Financial Assets as of March 31		
Cash and Cash Equivalents	\$ 475,324	\$ 468,572
Accounts Receivable	70,150	38,591
Investments	2,355,784	1,636,677
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 2,901,258	\$ 2,143,840

NOTE 3: CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Trust to significant concentrations of credit risk are principally cash and cash equivalents and investments.

The Federal Deposit Insurance Corporation insures accounts up to \$250,000 per depositor. The Trust maintains its cash accounts in bank deposit accounts, which at times may exceed federally insured limits. These financial institutions are monitored by management to minimize its credit risk. The amount of credit exposure in excess of federally insured limits for cash and cash equivalents at March 31, 2021 and 2020 was \$253,620 and \$225,453, respectively.

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

NOTE 3: CONCENTRATIONS OF CREDIT RISK - CONTINUED

Investments are managed by professional advisors subject to the Trust's investment policy. The degree and concentration of credit risk varies by the type of investment. Investments are in the custody of one commercial bank and several private investment firms within the same geographic region under an unsecured discretionary trust agreement.

NOTE 4: INVESTMENTS

Investments are stated at fair value and are summarized as follows at March 31:

	<u>2021</u>	<u>2020</u>
Money Market Funds	\$ 252,953	\$ 106,387
Fixed Income	3,201,477	2,599,179
Equities	6,304,936	4,377,701
Life Settlements	126,614	126,614
Structured Settlements	230,405	219,400
Other Investments	<u>-</u>	<u>2,177</u>
Total	<u>\$ 10,116,385</u>	<u>\$ 7,431,458</u>

The following schedule summarizes the net realized and unrealized gain (loss) on investments and its classification in the statement of activities for the years ended March 31:

	<u>2021</u>			<u>2020</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Realized Gain (Loss) on Sale of Investments	\$ 179,766	\$ 208,416	\$ 388,182	\$ (154,883)	\$ (3,106)	\$ (157,989)
Unrealized Appreciation (Depreciation) of Investments	<u>382,688</u>	<u>1,757,404</u>	<u>2,140,092</u>	<u>(77,806)</u>	<u>(880,910)</u>	<u>(958,716)</u>
Total	<u>\$ 562,454</u>	<u>\$ 1,965,820</u>	<u>\$ 2,528,274</u>	<u>\$ (232,689)</u>	<u>\$ (884,016)</u>	<u>\$(1,116,705)</u>

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

NOTE 5: INVESTMENTS IN LIFE SETTLEMENT CONTRACTS

The Trust purchases life settlement contracts for long-term investment purposes and accounts for these investments under ASC 325-30, using the investment method of accounting. The investment method requires disclosure of the number of contracts, carrying value, premiums payable and face values. As of March 31, 2021, the Trust does not anticipate any future premiums payable because the policies have premium reserves for at least 24 months beyond the stated life expectancy. The Trust has invested in life settlement contracts with remaining life expectancies to the years ended March 31:

Year	Number of Contracts	Carrying Value	Premiums Payable	Face Value (Death Benefits)
2022	-	\$ -	-	\$ -
2023	2	16,413	-	25,406
2024	1	51,896	-	86,453
2025	2	39,543	-	69,162
2026	-	-	-	-
Thereafter	1	18,762	-	34,581
Total	<u>6</u>	<u>\$ 126,614</u>	<u>-</u>	<u>\$ 215,602</u>

NOTE 6: FAIR VALUE OF ASSETS

The Trust adheres to ASC 820-10, *Fair Value Measurements and Disclosures*, which provides the framework for measuring fair value under generally accepted accounting principles. The Trust's investments on the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Hierarchical levels, defined by ASC-820 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable, including those that are not derived from market data or which cannot be corroborated by market data. The determination of fair value for investments included in the Level 3 category requires considerable subjectivity and estimation.

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

NOTE 6: FAIR VALUE OF ASSETS - CONTINUED

A significant portion of the Trust's investment assets are classified within Level 1 because they are comprised of mutual funds with readily determinable fair values based on daily redemption values. Other investments include structured settlements that are valued at amortized cost based on present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the investment. Other investments also include life settlements that are accounted for under the investment method. This means they were recorded at transaction price and increased by all direct external costs and premiums paid. They are tested for impairment annually.

The investment's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation.

The Trust had the following recurring fair value measurements as of March 31, 2021:

	March 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 252,953	\$ 252,953	\$ -	\$ -
Fixed Income	3,201,477	3,201,477	-	-
Equities	6,304,936	6,304,936	-	-
Life Settlements	126,614	-	-	126,614
Structured Settlements	230,405	-	-	230,405
Other Investments	-	-	-	-
Total	\$ 10,116,385	\$ 9,759,366	\$ -	\$ 357,019

The Trust had the following recurring fair value measurements as of March 31, 2020:

	March 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 106,387	\$ 106,387	\$ -	\$ -
Fixed Income	2,599,179	2,599,179	-	-
Equities	4,377,701	4,377,701	-	-
Life Settlements	126,614	-	-	126,614
Structured Settlements	219,400	-	-	219,400
Other Investments	2,177	2,177	-	-
Total	\$ 7,431,458	\$ 7,085,444	\$ -	\$ 346,014

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

NOTE 6: FAIR VALUE OF ASSETS - CONTINUED

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2021 and 2020.

	<u>Life Settlements</u>	<u>Structured Settlements</u>	<u>Total</u>
Year Ended March 31, 2021			
Balance at April 1, 2020	\$ 126,614	\$ 219,400	\$ 346,014
Purchases			
of Investments	-	-	-
Investment Return, Net	-	11,005	11,005
Distributions	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2021	<u>\$ 126,614</u>	<u>\$ 230,405</u>	<u>\$ 357,019</u>
Year Ended March 31, 2020			
Balance at April 1, 2019	\$ 150,000	\$ 149,485	\$ 299,485
Purchases			
of Investments	-	46,425	46,425
Investment Return, Net	11,195	23,490	34,685
Distributions	(34,581)	-	(34,581)
	<u>(34,581)</u>	<u>-</u>	<u>(34,581)</u>
Balance at March 31, 2020	<u>\$ 126,614</u>	<u>\$ 219,400</u>	<u>\$ 346,014</u>

NOTE 7: ENVIRONMENTAL LIABILITIES

The Trust owns two properties which may incur environmental cleanup costs. Total cleanup costs on all projects recorded to date are \$919,657. The Trust has made cash expenditures of \$866,657 to date.

Costs which are expected to be expended in the future are estimated at \$53,000 and are included in the total cleanup costs above; however, the ultimate cost will depend on the extent of the contamination found and may be as much as \$85,000. A liability in the amount of \$53,000, which represents the estimated costs, has been provided for in the financial statements. The Trust does not anticipate additional environmental problems at its other locations.

NOTE 8: LEASE CREDIT

The Trust has entered into a lease agreement with a tenant where the tenant receives a \$17,500 credit per year for 20 years, starting on October 1, 2015, in exchange for the tenant completing \$350,000 of capital improvements on the

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

NOTE 8: LEASE CREDIT - CONTINUED

leased property. The improvements were completed in a prior year and are included in unrestricted land, buildings and improvements on the statement of financial position.

	2022	\$	17,500
	2023		17,500
	2024		17,500
	2025		17,500
	2026		17,500
	Thereafter		<u>166,250</u>
	Total	\$	<u><u>253,750</u></u>

NOTE 9: LINE OF CREDIT

The Trust was granted a secured \$2,000,000 line of credit from PNC Bank. The line has an expiration date of November 29, 2021. Interest is payable monthly at London InterBank Offered Rate (LIBOR) plus two hundred basis points. LIBOR at March 31, 2021 was 0.98%. The line is collateralized by securities owned by the Trust. As of March 31, 2021 and 2020, the outstanding balance was \$0.

Subsequent to March 31, 2021, and through the date the financial statements were available to be issued, there were no draws or repayments on the line.

NOTE 10: LONG-TERM DEBT

Long-term debt consisted of the following at March 31:

	2021	2020
Note payable to PNC Bank, interest at the LIBOR plus 2.0% (2.98% at March 31, 2021), payable in monthly installments of \$2,810 plus interest, through November 2026. The note is collateralized by securities.	\$ 187,630	\$ 221,355
	187,630	221,355
Less: Current Portion	(33,725)	(33,725)
	<u>\$ 153,905</u>	<u>\$ 187,630</u>

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

NOTE 10: LONG-TERM DEBT - CONTINUED

Long-term debt repayments due for the remaining term are as follows for the years ending March 31:

2022	\$	33,725
2023		33,725
2024		33,725
2025		33,725
2026		33,725
Thereafter		<u>19,005</u>
Total	<u>\$</u>	<u>187,630</u>

NOTE 11: RENTAL INCOME

The Trust is the lessor of real estate under operating leases which expire in various years through 2101. The Trust records its leasing activities under the operating method of accounting for leases. This method reflects rental income and related operating expenses on an as-realized, as-incurred basis over the terms of the various leases. Minimum future rentals do not include unexercised options.

Minimum future rentals to be received on leases (termination clauses apply) for each of the next five years and thereafter are as follows for the years ending March 31:

2022	\$	1,544,981
2023		1,120,133
2024		719,127
2025		602,213
2026		486,508
Thereafter		<u>2,276,600</u>
Total	<u>\$</u>	<u>6,749,562</u>

NOTE 12: IN-KIND CONTRIBUTIONS

The Trust owns certain properties that it allows the tenants to use free of charge. These properties are the New Castle Public Library, the Old Library, the Good Will Fire Company, the New Castle Little League fields, the Penn Farm, the Town Hall, and Bellanca Airfield. The fair rental value of the properties is estimated at \$480,400 and \$519,070 for the years ended March 31, 2021 and 2020, respectively.

These fair values are recorded as in-kind contributions revenue and rent/in-kind contributions expense on the accompanying statement of activities.

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

NOTE 12: IN-KIND CONTRIBUTIONS - CONTINUED

The fair values for these contributions, as estimated by the Trust, are as follows for the years ended March 31, 2021:

	<u>2021</u>	<u>2020</u>
New Castle Public Library	\$ 225,000	\$ 225,000
Old Library	42,000	42,000
Good Will Fire Company	76,500	76,500
New Castle Little League	70,000	70,000
Penn Farm	-	38,670
Town Hall	17,500	17,500
Bellanca Airfield	<u>49,400</u>	<u>49,400</u>
Total In-Kind Rentals	<u>\$ 480,400</u>	<u>\$ 519,070</u>

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted to investment in perpetuity, the realized and unrealized gains therefrom are also to be reinvested in perpetuity. Interest and dividends are expendable for the benefit of the inhabitants of the City of New Castle. Net assets with donor restrictions consisted of the following as of March 31:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose		
Fort Casimir Project	<u>\$ 2,500</u>	<u>\$ -</u>
Perpetual Endowment		
Property, Net	2,140,126	2,171,088
Investments	<u>7,760,601</u>	<u>5,794,781</u>
Total Endowments	<u>9,900,727</u>	<u>7,965,869</u>
Total Net Assets with Donor Restrictions	<u>\$ 9,903,227</u>	<u>\$ 7,965,869</u>

NOTE 14: ENDOWMENT

The Trust's endowment consists of investments and property and was established to benefit the inhabitants of the City of New Castle. Substantially all endowment assets originated with property donated by William Penn and his heirs. Certain of this property was taken for public use via eminent domain and the proceeds have been invested. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

NOTE 14: ENDOWMENT - CONTINUED

The Trust has interpreted the Delaware Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the various funds.
2. The purposes of the donor-restricted endowment funds.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the trust.
7. The Trust's investment policies.

Endowment net assets composition, by type of fund, as of March 31, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds - March 31, 2021	\$ -	\$ 9,900,727	\$ 9,900,727
Donor-Restricted Endowment Funds - March 31, 2020	\$ -	\$ 7,965,869	\$ 7,965,869

Changes in endowment net assets are as follows for the years ended March 31, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - April 1, 2020	\$ -	\$ 7,965,869	\$ 7,965,869
Realized and Unrealized Gain	-	1,965,820	1,965,820
Investment Income from Life Settlement Contract	-	-	-
Interest Income	-	-	-
Releases	-	(30,962)	(30,962)
Endowment Net Assets - March 31, 2021	\$ -	\$ 9,900,727	\$ 9,900,727

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

NOTE 14: ENDOWMENT - CONTINUED

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - April 1, 2019	\$ -	\$ 8,870,048	\$ 8,870,048
Realized and Unrealized Gain	-	(884,016)	(884,016)
Investment Income from Life Settlement Contract	-	11,195	11,195
Interest Income	-	-	-
Releases	-	(31,358)	(31,358)
Endowment Net Assets - March 31, 2020	<u>\$ -</u>	<u>\$ 7,965,869</u>	<u>\$ 7,965,869</u>

Return Objectives and Risk Parameters - The Trust has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Trust's objective is for its spending and investment policies to work together to achieve this objective. The investment policy establishes an achievable return objective through diversification within and across asset classes. Over time, the Trust expects its endowment to provide a rate of return that is sufficient to offset normal inflation. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - The Trust has adopted a formal investment objective of long-term growth for the invested assets. The Trustees emphasize long-term capital appreciation as a primary source of return; recognize that the assets are exposed to risk and may be subject to fluctuation in market value from year to year; expect to earn returns sufficient to grow the purchasing power of the assets over the long-term; diversify the invested assets in order to reduce the risk of wide swings in market value from year to year or of incurring large losses that may result from concentrated positions; and achieve investment results over the long-term that compare favorably with other professionally managed portfolios and appropriate market indexes.

NOTE 15: RELATED-PARTY TRANSACTIONS

The Trust makes contributions from time to time to the New Castle Public Library Company, with which the Trust shares one common board member, the Good Will Fire Company, with which the Trust shares one common board member and the New Castle Historical Society, with which the Trust shares one common board member. The shared board members between the Trust and the non-profit organizations receive no compensation for their services. Contributions for the years ended March 31, 2021 and 2020 totaled \$55,000 to the New Castle Public Library Company. Contributions for the years ended March 31, 2021 and 2020 totaled \$140,000 to the Good Will Fire Company. Contributions for the years ended March 31, 2021 and 2020 totaled \$9,000 and \$7,638, respectively, to the New Castle Historical Society.

TRUSTEES OF THE NEW CASTLE COMMON
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021

NOTE 16: COMMITMENTS

The Trust executed a Memorandum of Understanding on April 10, 2018 with the City of New Castle (City), with the Trust agreeing to provide certain funding for infrastructure improvements to be undertaken by the City. The Board of Trustees awarded a grant that shall pay the amount of the principal and interest payments on the City's infrastructure improvements loan with limits up to \$56,250 per quarter for up to 40 consecutive quarters beginning in October 2018, upon timely presentation of invoices from the City with a copy of the invoice from the lender.

NOTE 17: SUBSEQUENT EVENTS

COVID-19 Impact - The Trust is unable to estimate the extent of impact to its operations as a result of the economic shutdown imposed as part of the response to COVID-19. It is expected that there will be an impact to rental revenue and rent receivable as some tenants have requested rent be reduced for a period of time, deferred to a later date, or both. The Trust has continued to operate remotely; however, a number of key employees are coming into the office a few days a week. The Trust anticipates continuing this work protocol until the governor releases the business closure restrictions. The Trust's staff have remote access to many of their files and their accounting software.