

**DELAWARE COMMUNITY REINVESTMENT
ACTION COUNCIL, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2006 AND 2005

Delaware Community Reinvestment Action Council, Inc.

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DuVilla & Company, LLC

Certified Public Accountants & Consultants

Independent Auditors' Report

Board of Directors
Delaware Community Reinvestment Action Council, Inc.
Wilmington, Delaware

We have audited the accompanying statements of financial position of Delaware Community Reinvestment Action Council, Inc. (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that my audit provides a reasonable basis for my opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Community Reinvestment Action Council, Inc. as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

DuVilla & Company LLC

DuVilla and Company, LLC
Newark, Delaware

November 7, 2006

Delaware Community Reinvestment Action Council, Inc.

Statements of Financial Position

June 30 2006 and 2005

	2006	2005
Assets		
Current Assets		
Cash	\$ 76,746	\$ 50,820
Grants receivable	7,600	9,517
Total current assets	84,346	60,337
Property and Equipment		
Building and improvements	22,142	22,142
Land	3,000	3,000
Office equipment	12,323	10,753
	37,465	35,895
Less: accumulated depreciation	9,474	7,568
Total property and equipment - net	27,991	28,327
Total Assets	\$ 112,337	\$ 88,664
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 3,447	\$ 3,666
Payroll liabilities	2,951	3,344
Current maturities of long-term debt	755	1,552
Total current liabilities	7,153	8,562
Long-Term Debt, net of current maturities	13,876	14,549
Total liabilities	21,029	23,111
Net Assets		
Unrestricted	71,657	18,531
Temporarily restricted	19,651	47,022
Total net assets	91,308	65,553
Total Liabilities and Net Assets	\$ 112,337	\$ 88,664

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Statement of Activities

For the Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support				
Grants				
Carl Freeman Foundation	\$ 3,000	\$ -	\$ -	\$ 3,000
City of Wilmington	-	5,000	-	5,000
Internal Revenue Service	-	6,000	-	6,000
Ministry of Caring	-	5,200	-	5,200
NCRC	85,000	-	-	85,000
New Castle County	-	5,000	-	5,000
State of Delaware - Grant-In-Aid	-	8,487	-	8,487
Sussex County Council	-	500	-	500
Citigroup	-	11,500	-	11,500
Discover Bank	-	20,000	-	20,000
GMAC Bank	-	25,000	-	25,000
ING Direct	-	10,000	-	10,000
JPMorgan Chase	-	5,000	-	5,000
WSFS	-	2,000	-	2,000
Private contributions	3,517	-	-	3,517
Fundraiser	25,550	-	-	25,550
Miscellaneous income	989	-	-	989
Interest income	172	-	-	172
Net assets released from restrictions	131,058	(131,058)	-	-
Total revenue, gains and other support	<u>249,286</u>	<u>(27,371)</u>	<u>-</u>	<u>221,915</u>
Expenses				
Program services	146,115	-	-	146,115
Supporting services				
Management and general	43,846	-	-	43,846
Fundraising and development	6,199	-	-	6,199
Total expenses	<u>196,160</u>	<u>-</u>	<u>-</u>	<u>196,160</u>
Change in net assets	53,126	(27,371)	-	25,755
Net assets - beginning of year	<u>18,531</u>	<u>47,022</u>	<u>-</u>	<u>65,553</u>
Net assets - end of year	<u>\$ 71,657</u>	<u>\$ 19,651</u>	<u>\$ -</u>	<u>\$ 91,308</u>

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Statement of Activities

For the Year Ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support				
Grants				
Catholic Charities Housing Development	\$ -	\$ 3,000	\$ -	\$ 3,000
Citigroup	-	22,000	-	22,000
City of Wilmington	-	5,000	-	5,000
Discover Bank	-	20,000	-	20,000
GMAC Bank	-	25,077	-	25,077
HSBC North America, N.A.	-	17,500	-	17,500
Internal Revenue Service	-	10,000	-	10,000
New Castle County	-	8,000	-	8,000
State of Delaware - Grant-In-Aid	-	8,240	-	8,240
Sussex County Council	-	500	-	500
WSFS	3,000	-	-	3,000
Private contributions	2,076	-	-	2,076
Fundraiser	22,645	-	-	22,645
Donated services	-	-	-	-
Miscellaneous income	4,658	-	-	4,658
Interest income	26	-	-	26
Net assets released from restrictions	172,427	(172,427)	-	-
Total revenue, gains and other support	<u>204,832</u>	<u>(53,110)</u>	<u>-</u>	<u>151,722</u>
Expenses				
Program services	183,861	-	-	183,861
Supporting services				
Management and general	37,739	-	-	37,739
Fundraising and development	8,018	-	-	8,018
Total expenses	<u>229,618</u>	<u>-</u>	<u>-</u>	<u>229,618</u>
Change in net assets	(24,786)	(53,110)	-	(77,896)
Net assets - beginning of year	<u>43,317</u>	<u>100,132</u>	<u>-</u>	<u>143,449</u>
Net assets - end of year	<u>\$ 18,531</u>	<u>\$ 47,022</u>	<u>\$ -</u>	<u>\$ 65,553</u>

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors and grantors	\$ 222,671	\$ 218,392
Cash paid to suppliers and employees	(193,451)	(219,695)
Miscellaneous income	989	4,658
Interest income	172	26
Interest paid	<u>(1,415)</u>	<u>(1,207)</u>
Net cash provided by operating activities	<u>28,966</u>	<u>2,174</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,570)</u>	<u>(4,769)</u>
Net cash used by investing activities	<u>(1,570)</u>	<u>(4,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(1,470)</u>	<u>(1,485)</u>
Net cash used by financing activities	<u>(1,470)</u>	<u>(1,485)</u>
NET INCREASE (DECREASE) IN CASH	25,926	(4,080)
CASH - BEGINNING OF YEAR	<u>50,820</u>	<u>54,900</u>
CASH - END OF YEAR	<u>\$ 76,746</u>	<u>\$ 50,820</u>

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Statements of Cash Flows (continued)

For the Years Ended June 30, 2006 and 2005

	2006	2005
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in net assets	\$ 25,755	\$ 12,583
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,906	1,434
Loss on disposal of equipment	-	284
Changes in current assets and liabilities		
(Increase) decrease in grants receivable	1,917	3,322
Decrease in accounts receivable	-	(171)
Increase (decrease) in accounts payable	(219)	(6,031)
Increase (decrease) in payroll liabilities	(393)	(5,850)
	<u>3,211</u>	<u>(7,012)</u>
Net cash provided by operating activities	<u>\$ 28,966</u>	<u>\$ 5,571</u>

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	Program Services					Fundraising and Development	Totals	
	Low Income Tax Clinic	Education and Outreach	Economic Justice Campaign	Total	Supporting Services		2006	2005
Salaries	\$ 22,099	\$ 34,114	\$ 35,653	\$ 91,866	\$ 9,267	\$ -	\$ 101,133	\$ 129,370
Payroll taxes	1,751	2,678	2,790	7,219	799	-	8,018	10,546
Advertising	196	334	291	821	1,111	-	1,932	1,676
Bank charges	-	-	-	-	148	-	148	199
Building occupancy	196	374	196	766	660	-	1,426	1,146
Depreciation	347	693	347	1,387	519	-	1,906	1,706
Dues and subscriptions	-	-	153	153	405	-	558	805
Fundraiser	-	-	-	-	-	6,199	6,199	8,018
Insurance	836	1,421	836	3,093	6,472	-	9,565	3,196
Interest	-	-	-	-	1,415	-	1,415	1,207
Meetings	-	-	-	687	681	-	1,368	1,126
Miscellaneous	-	-	-	-	1,699	-	1,699	211
Newsletters	1,002	2,800	2,083	5,885	2,537	-	8,422	10,195
Office supplies	145	291	136	572	2,914	-	3,486	5,591
Postage	26	-	-	26	325	-	351	863
Printing	-	-	-	-	-	-	-	218
Professional fees	2,100	7,210	2,572	11,882	9,172	-	21,054	14,378
Property tax	-	-	-	-	-	-	-	225
Rent	351	1,431	351	2,133	146	-	2,279	4,464
Seminar	-	201	197	398	-	-	398	7,365
Telephone	654	878	504	2,036	2,033	-	4,069	4,366
Television	2,376	3,972	2,339	8,687	927	-	9,614	10,974
Travel	113	2,911	5,248	8,272	1,175	-	9,447	10,219
Utilities	61	110	61	232	1,441	-	1,673	1,554
	\$ 32,253	\$ 59,418	\$ 54,444	\$ 146,115	\$ 43,846	\$ 6,199	\$ 196,160	\$ 229,618

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements

Note A – Nature of Operations

Delaware Community Reinvestment Action Council, Inc. (the Organization) was organized as a not-for-profit organization in 1987. The purpose of the Organization is to ensure equal access to credit and capital for the underserved populations and communities throughout the State of Delaware through education, outreach, advocacy, and legislation. Its current programs include:

Education and Outreach

Money Matters! is the foundation for the program's seminars, monthly television and weekly radio programs, and newsletters. The program has offered seminars since 1994 and added television and radio presence in 1999 and 2006, respectively. The program is funded through public support.

Low Income Tax Clinic

Clinic which serves the population for whom English is a second language with tax related issues. In addition to seminars and outreach through television and radio, the program offers individuals one-on-one assistance regarding issues with the Internal Revenue Service. The program is funded primarily through grants from the Internal Revenue Service and GMAC Bank.

Fair Housing Initiative Program

Program which focuses on fair housing education about rights and responsibilities. In addition to seminars and outreach through television and radio, the program offers individuals one-on-one assistance and fair housing conferences in New Castle, Kent and Sussex counties. The program is primarily funded through support from local governmental agencies and public support.

Economic Justice Campaign

Program which focuses on raising awareness about economic issues facing the community and proposing workable solutions. Through funding from the National Community Reinvestment Coalition, the program has begun work on one proposed solution: chartering the proposed Stepping Stones Community Federal Credit Union.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

Basis of Presentation

The Foundation prepares its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily net assets and permanently restricted net assets.

Contributions, Promises to Give and Unrestricted and Restricted Revenue and Support

The Organization has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Promises to give contributions are recognized when the donor makes a promise to give to the organization, that is, in substance, unconditional. Promises to make contributions, which are expected to be paid over a period in excess of one year, are discounted and recorded at their present value. Conditional promises to make contributions are recorded as support in the period the condition is met.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note B – Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

Property and equipment with an estimated useful life in excess of one year are capitalized at cost, if purchased, and at fair market value if donated. Management only capitalizes the cost of property and equipment that exceeds \$250. Amounts below this threshold are charged to operations. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets as follows:

Buildings and improvements	39 years
Office equipment	5 - 7 years

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, it is not subject to federal or state income taxes.

Donated Services

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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 reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The Organization allocates their expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. All other expenses are allocated in proportion with the benefits provided to the related program service.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note B – Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are charged to operations when incurred. Advertising costs were \$1,932 and \$1,676 for the years ended June 30, 2006 and 2005, respectively.

Prior Year Financial Statements

The statement of functional expenses for the year ended June 30, 2005 includes comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2005.

Note C – Grants Receivable

Grants receivable represent unconditional promises to give that are due within one year. At June 30, 2006 and 2005, grants receivable consisted of the following:

	<u>2006</u>	<u>2005</u>
Catholic Charities Housing Development	\$ -	\$ 3,000
City of Wilmington	5,000	5,000
Internal Revenue Service	-	692
Ministry of Caring	2,600	-
New Castle County	-	825
	<u>\$ 7,600</u>	<u>\$ 9,517</u>

Management believes that all grants receivable as of June 30, 2006 and 2005 are fully collectible. Accordingly, no reserve for bad debts exists at June 30, 2006 and 2005.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note D – Long-Term Debt

Long-term debt as of June 30, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
Note payable bank - payable in monthly installments of \$232, including principal and interest at prime plus 2% (10.25% at June 30, 2006) through February 2008. A balloon payment in the amount of \$12,753 is due on April 11, 2008. Collateralized by a building.	\$ 14,631	\$ 16,101
Less: current maturities	<u>755</u>	<u>1,552</u>
	<u><u>\$ 13,876</u></u>	<u><u>\$ 14,549</u></u>

As of June 30, 2006, maturities of long-term debt are as follows:

2007	\$ 755
2008	<u>13,876</u>
	<u><u>\$ 14,631</u></u>

Note E – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2006</u>	<u>2005</u>
Education and outreach	\$ 19,651	\$ 24,869
Fair Housing Initiative Program	-	22,153
Sussex County Education and Outreach	-	-
Low Income Tax Clinic	<u>-</u>	<u>-</u>
	<u><u>\$ 19,651</u></u>	<u><u>\$ 47,022</u></u>

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note F – Concentrations

The Organization maintains cash balances with various local financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At times, such balances may be in excess of the FDIC limit.

Contributions from major donors totaled \$113,500 and \$87,577, for the years ended June 30, 2006 and 2005, respectively. This represents 51% and 58% of the Organization's total support and revenue for each of the years ended June 30, 2006 and 2005, respectively.

Note G – Special Events

The Organization has an awards ceremony each year to raise funds. Financial information from these activities is summarized below. The results of these activities are reported in the statements of activities for the years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Revenue	\$ 25,550	\$ 22,645
Expenses	<u>6,199</u>	<u>8,018</u>
Net proceeds	<u>\$ 19,351</u>	<u>\$ 14,627</u>

Note H – Commitments

During the years ended June 30, 2006 and 2005, the Organization leased its Kent County and Sussex County offices under month-to-month operating lease agreements. As of June 30, 2006, the current monthly rent for the Kent County office is \$125. During the year ended June 30, 2006, the Organization discontinued its rental agreement for the Sussex County office. Total rent expense charged to operations during the years ended June 30, 2006 and 2005 was \$2,279 and \$4,464, respectively.

The Organization leases broadcast time for New Castle County and Sussex County under a month-to-month operating lease agreement. The current lease payments are payable monthly in the amount of \$350 for New Castle County and \$475 for Sussex County. Lease expense incurred under such agreements was \$4,200 for New Castle County and \$5,700 for Sussex County during the years ended June 30, 2006 and 2005.

The Organization has a retainer agreement with an attorney to perform legal counseling and drafting work pertaining to the Community Reinvestment Act, fair lending laws and other related statutes. The current agreement is payable monthly in the amount of \$200.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note H – Commitments (continued)

Total expense incurred under this agreement was \$2,400 during each of the years ended June 30, 2006 and 2005.