

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2010 AND 2009

Delaware Community Reinvestment Action Council, Inc.

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DuVilla and 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, 2010 and 2009, 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 our audit provides a reasonable basis for our 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, 2010 and 2009, 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 AND COMPANY LLC

DuVilla and Company, LLC
Newark, Delaware

November 23, 2010

Delaware Community Reinvestment Action Council, Inc.

Statements of Financial Position

June 30 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 187,997	\$ 226,924
Grants receivable	<u>136,421</u>	<u>31,300</u>
Total current assets	<u>324,418</u>	<u>258,224</u>
Property and Equipment		
Building and improvements	225,868	225,868
Land	9,500	9,500
Office equipment	<u>18,728</u>	<u>18,728</u>
	254,096	254,096
Less: accumulated depreciation	<u>29,458</u>	<u>21,860</u>
Total property and equipment - net	<u>224,638</u>	<u>232,236</u>
Other Assets		
Loan origination fees, net	<u>660</u>	<u>1,020</u>
Total other assets	<u>660</u>	<u>1,020</u>
Total Assets	<u>\$ 549,716</u>	<u>\$ 491,480</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 3,713	\$ 1,773
Payroll liabilities	3,671	4,370
Current maturities of long-term debt	<u>1,750</u>	<u>1,669</u>
Total current liabilities	<u>9,134</u>	<u>7,812</u>
Long-Term Debt, net of current maturities	<u>70,276</u>	<u>72,026</u>
Total liabilities	<u>79,410</u>	<u>79,838</u>
Net Assets		
Unrestricted		
Undesignated	140,235	154,759
Designated by board of directors for building reserves	30,000	30,000
Designated by board of directors for endowment fund	10,000	10,000
Designated by board of directors for non-member deposit in credit union	<u>50,000</u>	<u>50,000</u>
Total unrestricted net assets	<u>230,235</u>	<u>244,759</u>
Temporarily restricted	<u>240,071</u>	<u>166,883</u>
Total net assets	<u>470,306</u>	<u>411,642</u>
Total Liabilities and Net Assets	<u>\$ 549,716</u>	<u>\$ 491,480</u>

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Statement of Activities

For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support				
Grants				
City of Wilm.	\$ -	\$ 2,500	\$ -	\$ 2,500
HUD	-	90,000	-	90,000
Internal Revenue Service	-	59,680	-	59,680
Ministry of Caring	-	5,200	-	5,200
NCC Board of Realtors	-	16,667	-	16,667
New Castle County	-	30,000	-	30,000
Sussex County Council	-	500	-	500
Bank of America	-	50,000	-	50,000
Citi	-	70,000	-	70,000
Citizens	-	1,000	-	1,000
Discover	-	20,000	-	20,000
GMAC	-	25,000	-	25,000
HSBC	-	20,000	-	20,000
JP Morgan Chase	-	15,000	-	15,000
Wachovia	-	3,000	-	3,000
Private contributions	3,399	3,550	-	6,949
Fundraiser	21,389	-	-	21,389
Donated services	300,000	-	-	300,000
Interest income	1,916	-	-	1,916
Net assets released from restrictions	<u>338,909</u>	<u>(338,909)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>665,613</u>	<u>73,188</u>	<u>-</u>	<u>738,801</u>
Expenses				
Program services	638,909	-	-	638,909
Supporting services				
Management and general	33,485	-	-	33,485
Fundraising and development	<u>7,743</u>	<u>-</u>	<u>-</u>	<u>7,743</u>
Total expenses	<u>680,137</u>	<u>-</u>	<u>-</u>	<u>680,137</u>
Change in net assets	(14,524)	73,188	-	58,664
Net assets - beginning of year	<u>244,759</u>	<u>166,883</u>	<u>-</u>	<u>411,642</u>
Net assets - end of year	<u>\$ 230,235</u>	<u>\$ 240,071</u>	<u>\$ -</u>	<u>\$ 470,306</u>

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Statement of Activities

For the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support				
Grants				
City of Wilm.	\$ -	\$ 10,000	\$ -	\$ 10,000
FannieMae	-	5,000	-	5,000
FHLBank Pittsburgh	-	2,000	-	2,000
HUD	-	26,000	-	26,000
Internal Revenue Service	-	40,000	-	40,000
Ministry of Caring	-	5,200	-	5,200
New Castle County	-	4,500	-	4,500
State of Delaware - Grant-In-Aid	8,100	-	-	8,100
Sussex County Council	-	500	-	500
Ally Bank	-	25,000	-	25,000
Bank of America	-	50,000	-	50,000
Citi	-	60,000	-	60,000
Discover	-	10,000	-	10,000
HSBC	-	15,000	-	15,000
ING Direct	-	10,000	-	10,000
TD Bank	-	15,000	-	15,000
JP Morgan Chase	-	15,000	-	15,000
Private contributions	4,286	5,250	-	9,536
Fundraiser	42,644	-	-	42,644
Donated services	150,000	-	-	150,000
Interest income	1,249	-	-	1,249
Net assets released from restrictions	271,945	(271,945)	-	-
Total revenue, gains and other support	<u>478,224</u>	<u>26,505</u>	<u>-</u>	<u>504,729</u>
Expenses				
Program services	421,945	-	-	421,945
Supporting services				
Management and general	27,040	-	-	27,040
Fundraising and development	7,302	-	-	7,302
Total expenses	<u>456,287</u>	<u>-</u>	<u>-</u>	<u>456,287</u>
Change in net assets	21,937	26,505	-	48,442
Net assets - beginning of year	<u>222,822</u>	<u>140,378</u>	<u>-</u>	<u>363,200</u>
Net assets - end of year	<u>\$ 244,759</u>	<u>\$ 166,883</u>	<u>\$ -</u>	<u>\$ 411,642</u>

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors and grantors	\$ 331,764	\$ 378,650
Cash paid to suppliers and employees	(366,924)	(318,406)
Interest income	1,916	1,249
Interest paid	(4,014)	(3,393)
Net cash provided (used) by operating activities	<u>(37,258)</u>	<u>58,100</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(20,990)</u>
Net cash used by investing activities	<u>-</u>	<u>(20,990)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(1,669)</u>	<u>(1,337)</u>
Net cash used by financing activities	<u>(1,669)</u>	<u>(1,337)</u>
NET INCREASE (DECREASE) IN CASH	(38,927)	35,773
CASH - BEGINNING OF YEAR	<u>226,924</u>	<u>191,151</u>
CASH - END OF YEAR	<u><u>\$ 187,997</u></u>	<u><u>\$ 226,924</u></u>

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Statements of Cash Flows (continued)

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in net assets	\$ 58,664	\$ 48,442
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	7,958	6,868
Changes in current assets and liabilities		
(Increase) decrease in grants receivable	(105,121)	25,170
Increase (decrease) in accounts payable	1,940	(23,697)
Increase (decrease) in payroll liabilities	(699)	1,317
	<u>(95,922)</u>	<u>9,658</u>
Net cash provided by operating activities	<u>\$ (37,258)</u>	<u>\$ 58,100</u>

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2010

With Comparative Totals for the Year Ended June 30, 2009

	Program Services						Fundraising and Development	Totals	
	Credit Clinic	Tax Clinic	Housing Clinic	Economic Justice	Total	Supporting Services		2010	2009
	Salaries	\$ 55,483	\$ 55,483	\$ 63,410	\$ 7,926	\$ 182,303		\$ 15,852	\$ -
Payroll taxes	2,911	2,911	3,327	416	9,565	832	-	10,397	11,240
Advertising	1,143	1,143	1,307	163	3,756	327	-	4,083	1,007
Building occupancy	2,703	2,703	3,089	386	8,880	772	-	9,652	6,168
Depreciation	2,228	2,228	2,547	318	7,321	637	-	7,958	6,868
Dues and subscriptions	556	556	635	79	1,826	159	-	1,985	1,227
Fundraiser	-	-	-	-	-	-	7,743	7,743	7,302
Insurance	6,141	6,141	7,018	877	20,177	1,755	-	21,932	7,015
Interest	-	-	-	-	-	4,014	-	4,014	3,393
Meetings	2,158	2,158	2,466	308	7,090	616	-	7,706	3,879
Miscellaneous	3,448	3,448	3,940	493	11,329	985	-	12,314	1,695
Newsletters	2,360	2,360	2,697	337	7,755	674	-	8,429	9,437
Office supplies	3,197	3,197	3,654	457	10,505	914	-	11,419	9,740
Postage	632	632	722	90	2,076	180	-	2,256	673
Printing	32	32	36	5	105	9	-	114	-
Professional fees	7,465	307,465	8,531	1,066	324,527	2,133	-	326,660	160,095
Property tax	-	-	-	-	-	-	-	-	351
Radio show	882	882	1,008	126	2,898	252	-	3,150	4,200
Seminar	1,159	1,159	1,325	166	3,810	331	-	4,141	1,390
Telephone	1,868	1,868	2,135	267	6,139	534	-	6,673	3,952
Television	2,772	2,772	3,168	396	9,108	792	-	9,900	9,609
Travel	5,016	5,016	5,732	717	16,480	1,433	-	17,913	18,171
Utilities	992	992	1,134	142	3,260	283	-	3,543	4,597
	<u>\$ 103,147</u>	<u>\$ 403,147</u>	<u>\$ 117,881</u>	<u>\$ 14,735</u>	<u>\$ 638,909</u>	<u>\$ 33,485</u>	<u>\$ 7,743</u>	<u>\$ 680,137</u>	<u>\$ 456,287</u>

See notes to financial statements.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements

Note A – Nature of Operations

The Delaware Community Reinvestment Action Council, Inc. (the Organization) is a tax exempt, charitable nonprofit whose mission is to ensure equitable treatment and equal access to credit and capital for the underserved populations and communities throughout Delaware through advocacy, education, legislation, and outreach. Founded in 1987, DCRAC is the first non-profit in Delaware to be awarded the Standards for Excellence Seal of Excellence in 2007 after completing a rigorous voluntary review that is a visible symbol of the most well managed, responsibly governed organizations. Beginning in July 2009, DCRAC offers its services out of two locations: in Wilmington and Georgetown.

Its three direct services programs are the Credit Clinic, Tax Clinic, and Housing Clinic.

Credit Clinic

The outreach reaches our target community to position them for a better financial future. Our focus is on smart borrowing. Client services help Delawareans exercise their rights under Equal Credit Opportunity Act, Fair and Accurate Credit Reporting Act, Fair Debt Collections Practices Act, etc. The Clinic's primary focus is to build a pool of responsible consumers of financial services through one-on-one coaching which includes job search, help with managing and establishing budgets and building and repairing credit. Our pool of volunteer experts from legal, accounting, and credit backgrounds help us serve the growing needs more effectively and efficiently.

Tax Clinic

Through outreach we reach out to low-income, limited English proficiency and ESL taxpayers in Delaware with information about taxes. Our Client services include helping Delawareans reach a workable solution with the IRS for taxes owed or accurate allocation of taxes owed. Our volunteer tax attorney donates over 1,000 hours annually to the clinic.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note A – Nature of Operations (continued)

Housing Clinic

Through Outreach we reach our target community with a focus on informing them about their rights under the Fair Housing Act. In addition, the outreach clinic informs Delawareans about affordable housing, landlord tenant rights, first-time home-buyer programs, and foreclosure prevention options. Through client services we help Delawareans exercise their rights and take advantages of opportunities in the housing market such as filing complaints and modifying mortgages. Pro Bono Panel of volunteer experts from legal, accounting, and credit backgrounds help us serve the growing needs more effectively and efficiently. The Fair Housing Act prohibits discrimination in the sale, rental, and financing of dwellings on the basis of race, color, national origin, religion, sex, familial status, and disability.

Economic Justice is DCRAC's impact program and has focused its energies on the proposed Stepping Stones Community Federal Credit Union charter.

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.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note B – Summary of Significant Accounting Policies (continued)

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.

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 \$1000. 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.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note B – Summary of Significant Accounting Policies (continued)

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. For the years ended June 30, 2010 and 2009, the Organization recognized contribution revenue for services provided by a tax attorney as follows:

	<u>2010</u>	<u>2009</u>
Tax attorney - at \$300 per hour	<u>\$ 300,000</u>	<u>\$ 150,000</u>
Total donated services	<u><u>\$ 300,000</u></u>	<u><u>\$ 150,000</u></u>

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.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs were \$4,083 and \$1,007 for the years ended June 30, 2010 and 2009, respectively.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note B – Summary of Significant Accounting Policies (continued)

Prior Year Financial Statements

The statement of functional expenses for the year ended June 30, 2009 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, 2009.

Note C – Grants Receivable

Grants receivable represent unconditional promises to give that are due within one year. At June 30, 2010 and 2009, grants receivable consisted of the following:

	<u>2010</u>	<u>2009</u>
City of Wilmington	\$ 2,500	\$ 10,000
HUD	81,000	-
Internal Revenue Service	29,840	20,000
Ministry of Caring	1,256	1,300
New Castle County	<u>21,925</u>	<u>-</u>
	<u>\$ 136,521</u>	<u>\$ 31,300</u>

Management believes that all grants receivable as of June 30, 2010 and 2009 are fully collectible. Accordingly, no reserve for bad debts exists at June 30, 2010 and 2009.

Delaware Community Reinvestment Action Council, Inc.

Notes to Financial Statements (continued)

Note D – Long-Term Debt

Long-term debt as of June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Note payable - payable in monthly payments of \$428, including interest at 4.75%, due August 2012	\$ 72,026	\$ 73,695
	72,026	73,695
Less: current maturities	<u>1,750</u>	<u>1,669</u>
	<u>\$ 70,276</u>	<u>\$ 72,026</u>

As of June 30, 2010, maturities of long-term debt are as follows:

2011	\$ 1,750
2012	1,835
2013	<u>68,441</u>
	<u>\$ 72,026</u>

Note E – Temporarily Restricted Net Assets

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

	<u>2010</u>	<u>2009</u>
Tax Clinic	\$ 9,010	\$ 27,477
Credit Clinic	31,169	54,199
Housing Clinic	124,927	60,207
Economic Justice (Credit Union)	<u>74,965</u>	<u>25,000</u>
	<u>\$ 240,071</u>	<u>\$ 166,883</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 \$250,000. At times, such balances may be in excess of the FDIC limit.

Contributions from major donors totaled \$269,680 and \$150,000, for the years ended June 30, 2010 and 2009, respectively. This represents 61% and 42% of the Organization's total support and revenue for each of the years ended June 30, 2010 and 2009, 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, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Revenue	\$ 21,389	\$ 42,644
Expenses	<u>7,743</u>	<u>7,302</u>
Net proceeds	<u>\$ 13,646</u>	<u>\$ 35,342</u>

Note H – Commitments

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, 2010 and 2009.

The Organization has a retainer agreement with a bookkeeper to perform bookkeeping work. The current agreement is payable monthly in the amount of \$200. Total expense incurred under this agreement was \$2,400 during the years ended June 30, 2010 and 2009.

Note I – Fair Value of Instruments

The Organization's financial instruments are cash and cash equivalents, grants receivable, accounts payable and long-term debt. The recorded values of cash and cash equivalents, grants receivable, accounts payable and long-term debt approximate their fair values based on their short-term nature.