

**DELAWARE COMMUNITY
REINVESTMENT ACTION COUNCIL**

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

**WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**



Certified Public Accountants & Advisors
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware Community Reinvestment Action Council
601 & 603 North Church Street
Wilmington, DE 19801

Report on the Financial Statements

We have audited the accompanying financial statements of the Delaware Community Reinvestment Action Council, Inc. ("the Council"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

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 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.

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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 Delaware Community Reinvestment Action Council, Inc. as of June 30, 2015, and the changes in its net assets, its functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Carroll Rossiter

Certified Public Accountants

April 29, 2016

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	218,955
Grants receivable		60,470
Total current assets		279,425

PROPERTY AND EQUIPMENT

Office equipment		18,728
Building and improvements		309,855
Land		9,500
		338,083

Less: Accumulated depreciation		74,416
Total property and equipment - net		263,667

INVESTMENTS		12,866
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LOAN ORIGINATION FEES - NET		500
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TOTAL ASSETS	\$	556,458
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		4,254
Payroll liabilities		2,004
Current portion of long-term debt		2,690
Total current liabilities		8,948

LONG-TERM DEBT - NET OF CURRENT PORTION		56,578
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NET ASSETS

Unrestricted		390,932
Temporarily restricted		100,000
Total net assets		490,932

TOTAL LIABILITIES AND NET ASSETS	\$	556,458
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DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants			
Internal Revenue Service	70,000	-	70,000
Delaware Grant in Aid	5,000	-	5,000
Delaware State Housing Authority	14,197	-	14,197
New Castle County	5,000	-	5,000
Sussex County	750	-	750
City of Wilmington	10,000	-	10,000
National Community Reinvestment Coalition	30,750	-	30,750
Consumer Federation of America	1,250	-	1,250
Christ Church Christiana Hundred	1,000	-	1,000
FLEF - Delaware	20,000	-	20,000
Bank of America	50,000	-	50,000
JP Morgan Chase	65,000	-	65,000
Discover Bank	70,000	-	70,000
HSBC	10,000	-	10,000
TD Bank	30,000	-	30,000
Capital One Bank	50,000	-	50,000
Catholic Campaign for Human Development	35,000	-	35,000
Center for Responsible Lending	3,250	-	3,250
Other contributions	2,390	-	2,390
Celebrating CRA and other fundraisers	37,032	-	37,032
Discover loan payments	3,088	-	3,088
Miscellaneous income	5,998	-	5,998
Donated services	300,000	-	300,000
Net assets released from restrictions:			
Satisfaction of program restrictions	175,000	(175,000)	-
	<u>994,705</u>	<u>(175,000)</u>	<u>819,705</u>
OPERATING EXPENSES			
Program services:			
Credit Clinic	211,024	-	211,024
Tax Clinic	211,024	-	211,024
Housing Clinic	211,024	-	211,024
Economic Justice	250,367	-	250,367
	<u>883,439</u>	<u>-</u>	<u>883,439</u>
General and administrative	45,212	-	45,212
Fundraising	11,052	-	11,052
	<u>56,264</u>	<u>-</u>	<u>56,264</u>
	<u>939,703</u>	<u>-</u>	<u>939,703</u>
Change in Net Assets - Operating	55,002	(175,000)	(119,998)
Non-Operating Activities			
Investment performance	451	-	451
CHANGE IN NET ASSETS	55,453	(175,000)	(119,547)
NET ASSETS AT BEGINNING OF YEAR	<u>335,479</u>	<u>275,000</u>	<u>610,479</u>
NET ASSETS AT END OF YEAR	<u>\$ 390,932</u>	<u>\$ 100,000</u>	<u>\$ 490,932</u>

The accompanying notes are an integral part of these financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	<u>Credit Clinic</u>	<u>Tax Clinic</u>	<u>Housing Clinic</u>	<u>Economic Justice</u>	<u>Total Program Services</u>	<u>Supporting Services</u>	<u>Fundraising & Development</u>	<u>Total Expenses</u>
Salaries	85,157	85,157	85,157	30,413	285,884	18,247	-	304,131
Payroll taxes	6,613	6,613	6,613	2,362	22,201	1,418	-	23,619
Employee health insurance	2,159	2,159	2,159	771	7,248	461	-	7,709
Advertising and promotion	3,557	3,557	3,557	1,271	11,942	763	-	12,705
Building occupancy	4,618	4,618	4,618	1,649	15,503	989	-	16,492
Credit Union program	-	-	-	175,000	175,000	-	-	175,000
Depreciation and amortization	2,566	2,566	2,566	917	8,615	551	-	9,166
Fundraiser	-	-	-	-	-	-	11,052	11,052
Insurance	1,195	1,195	1,195	427	4,012	255	-	4,267
Interest	510	510	510	182	1,712	109	-	1,821
Meetings	292	292	292	104	980	63	-	1,043
Miscellaneous	235	235	235	84	789	49	-	838
Office supplies	5,945	5,945	5,945	2,123	19,958	1,273	-	21,231
Professional fees	84,464	84,464	84,464	30,166	283,558	18,099	-	301,657
Radio show	700	700	700	250	2,350	150	-	2,500
Telecommunications	4,214	4,214	4,214	1,505	14,147	903	-	15,050
Television	672	672	672	240	2,256	144	-	2,400
Travel	6,369	6,369	6,369	2,275	21,382	1,363	-	22,745
Utilities	1,758	1,758	1,758	628	5,902	375	-	6,277
TOTAL EXPENSES	\$ 211,024	\$ 211,024	\$ 211,024	\$ 250,367	\$ 883,439	\$ 45,212	\$ 11,052	\$ 939,703

The accompanying notes are an integral part of these financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from contributions and grants	\$ 496,437
Cash paid to suppliers and employees	(626,421)
Cash received from programs	9,086
Cash received from special events	37,032
Cash received from interest and dividends	590
Cash paid for interest	<u>(1,821)</u>
Net cash used by operating activities	<u>(85,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	<u>(269)</u>
Net cash used by investing activities	<u>(269)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments of long-term debt	<u>(2,617)</u>
Net cash used by financing activities	<u>(2,617)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(87,983)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>306,938</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 218,955</u></u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES	
Change in net assets	\$ (119,547)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation and amortization	9,166
Non-cash investment performance	523
(Increase) decrease in operating assets:	
Accounts receivable	22,850
Prepaid expenses	1,740
Increase (decrease) in operating liabilities:	
Accounts payable	(626)
Accrued expenses	<u>797</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (85,097)</u></u>

The accompanying notes are an integral part of these financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Delaware Community Reinvestment Action Council (“the Council”) is presented to assist in understanding the Council’s financial statements. The financial statements and notes are representations of the Council’s management who is responsible for their integrity and objectivity. These accounting policies conform to the accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Activities

The Council is a tax-exempt charitable not-for-profit corporation which was formed in 1987 for the purpose of ensuring equitable treatment and equal access to credit and capital for underserved populations and communities in Delaware. The Council provides ALL of its services AT NO COST and without regard to race, color, national origin, religion, sex, familial status, disability, age, creed, source of income, marital status, or sexual orientation. The Council’s four direct programs are the Credit Clinic, the Housing Clinic, the Low Income Tax Clinic and Stepping Stones Community Federal Credit Union.

The Credit Clinic builds the ability and opportunity for clients to make smart financial decisions – often new territory for the Council’s clients.

The Housing Clinic focuses on foreclosure prevention and on assisting first-time homebuyers in exploring home ownership opportunities and responsibilities.

The Low Income Tax Clinic provides expert representation and information for those experiencing difficulties with the IRS and other taxing authorities.

In 2011, the National Credit Union Administration chartered only one credit union in the United States – Stepping Stones Community Federal Credit Union sponsored by the Council. Its mission is to provide members with access to credit with need-appropriate financial services, education, and individualized approaches to money matters so they are aware of all of their financial choices.

Many professionals volunteer their services for the Council’s programs including attorneys providing representation to low-income clients and senior management from financial institutions who teach money management to low-income clients in shelters.

Basis of Presentation

Information regarding financial position and activities is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Council has no permanently restricted net assets. As a result net assets are reported in two groups of accounts as follows:

Unrestricted Net Assets

Accounts are maintained for unrestricted net assets available for support of the Council's programs and general operations.

Temporarily Restricted Net Assets

Net assets whose use by the Council has been limited by donors (a) to later periods of time or after specific dates, or (b) to specified purposes are reported as temporarily restricted.

Unless otherwise requested by donors, gains or losses on investment transactions earned on temporarily restricted funds are considered unrestricted.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions.

Cash, Cash Equivalents and Credit Risk

Cash and cash equivalents include unrestricted cash balances that are available for current use. Cash equivalents include any unrestricted highly liquid investments with an initial maturity of three months or less, except for cash or money market positions held within endowment accounts. The bank balances are insured up to \$250,000 by either the Federal Deposit Insurance Corporation or the National Credit Union Administration. From time to time, in the normal course of business, the Council's balances may exceed this amount. Management believes the risk of loss is remote.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Fair value for equity securities is readily determinable if sales prices or bid-and-asked quotations are currently available on recognized security exchanges. Gains or losses on sales are reported in the statement of activity as realized net gain (loss) on investments.

Fair Value Hierarchy

The Council has adopted FASB ASC 820-10, which establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at acquisition cost if purchased, or fair value at date of donation if acquired by gift. Donated property and equipment received without donor-imposed stipulations restricting use of the property is recorded as an increase in unrestricted net assets. Expenditures for property and equipment in excess of \$1,500 are capitalized.

Depreciation of property and equipment is provided using the straight line method based on the following estimated useful lives:

Buildings and improvements	Up to 39 years
Office equipment	5 – 7 years

Depreciation expense for the year ended June 30, 2015 was \$8,999.

Loan Origination Costs

The Council financed a significant renovation of its facilities in 2012. The loan origination costs of \$1,000 are being amortized over the 6 year life of the loan. Amortization expense of \$167 was recorded for the year ended June 30, 2015 and the remaining balance of \$500 is shown as an asset on the statement of financial position at June 30, 2015.

Income Tax Status

The Council is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a publicly supported organization under Section 509(a)(1), contributions to the Council are deductible for the donor.

The Council has adopted the provisions of FASB ASC 740-10-50, *Accounting for Uncertainty in Income Taxes*. Management continually evaluates uncertain tax positions and expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, as applicable. Management's evaluation is that there is no income tax liability. This evaluation is based on settled and established positions within the Internal Revenue Code and management believes there is no significant uncertainty related to its evaluation.

The Council's policy is to expense all interest and penalties, if any, as incurred. No amounts of interest or penalties were recognized by the Council during the year ended June 30, 2015.

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 Council allocates its expenses on a functional basis across its programs and supporting services. Expenses that can be identified to a specific program or supporting service are allocated directly to that program or service. All other expenses are allocated using management's best estimates based on time expended or benefits realized from the expense.

Grants Receivable

Grants receivable represent unconditional promises to give made by foundations or governmental entities and are recorded at net realizable value. Grants receivable as of June 30, 2015 were \$60,470. All grants receivable at June 30, 2015 were expected to be received within one year. No allowance for uncollectible grants receivable has been recorded as management believes that all grants receivable are fully collectible.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs incurred during the year ended June 30, 2015 were \$407.

Donated Services

The Council estimates that 1,000 hours of legal assistance were rendered to its clients in support of the Council's programs. These hours have been valued at \$300,000 and qualify for financial statement recognition under FASB ASC 958-720 since they are professional in nature and the Council would otherwise need to pay for the provision of the services. This amount has been reflected as both contribution income and expense on the statement of activities.

Subsequent Events

Management has evaluated subsequent events through April 29, 2016, the date the financial statements were available to be issued.

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by the Council in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments – The Council’s investment values are reported using Level 2 inputs, which are based on values computed and published on a monthly basis.

TEMPORARILY RESTRICTED NET ASSETS

The Council regularly receives donations which carry restrictions on how they are to be spent. This support is recorded as temporarily restricted net assets until expended toward its intended purpose, returned to the donor or reverted to operations depending on the terms of the restrictions.

As of June 30, 2015, temporarily restricted net assets totaling \$100,000 were available for support of the Stepping Stones Community Federal Credit Union.

LONG-TERM DEBT

The Council entered into a loan agreement in order to finance renovations on its office and credit union space. The original loan amount was \$66,691 with a fixed rate of 3.00% in August 2012. Monthly payments of principal and interest of \$367 are payable through July 2017 with a balloon payment due on August 1, 2017. Future maturities of principal are as follows: Fiscal year ending June 30, 2016, \$2,690; Fiscal year ending June 30, 2017, \$2,772; Fiscal year ending June 20, 2018, \$53,806 (includes balloon payment).

INVESTMENT ASSETS HELD BY THE DELAWARE COMMUNITY FOUNDATION

The Council is the beneficiary of an endowment fund held by the Delaware Community Foundation (the “Foundation”). The fund was gifted to the Foundation by the Council for its own benefit through an agreement that states that the endowment is owned and held by the Foundation. The Foundation possesses variance power over the assets that were gifted. In accordance with FASB ASC 958-605-15, these assets are recorded on the Council’s financial statements. The agreement states that future gifts will be invested and held by the Foundation, and that a portion of the invested gifts and related income will be distributed periodically to the Council. The total market value of assets in this fund was \$12,866 at June 30, 2015.

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

**INVESTMENT ASSETS HELD BY THE DELAWARE COMMUNITY FOUNDATION
(CONTINUED)**

The fund consists of invested gifts, appreciation and related income net of administrative and investment charges. The Council recognizes the distributions from the Foundation (when they occur) as contribution or grant revenue on the statement of activities. The Council did not receive any distributions from the Foundation during the year ended June 30, 2015.

LEASING COMMITMENTS

The Council leases office space in Southern Delaware. The lease requires monthly payments of \$1,187 and expires in June 2016. The Council is committed to make payments totaling \$13,062 during the year ending June 30, 2016. Although the lease specifies three potential annual renewals, the Council may elect not to renew at its discretion.

CONTINGENT INCOME ARRANGEMENT

The Council was granted the right to receive the payment streams of certain loans from a local financial institution. Due to the uncertainties with collection on these loans, the Council has taken the conservative approach of only recognizing as income amounts actually received in payment. For the year ended June 30, 2015, \$3,088 was received and recognized as income. \$27,640 remains outstanding on these loans as a contingent asset which has not been recognized. The Council does not expect that the full amount will be collected.

SUBSEQUENT EVENT

Subsequent to June 30, 2015, the Council received as a gift a building which it intends to renovate and use as the Stepping Stones Community Federal Credit Union and as its headquarters. The building was appraised at \$275,000 on the date of donation and which will be recognized in the Council's June 30, 2016 financial statements.

RELATED PARTY ACTIVITY

Stepping Stones Community Federal Credit Union ("Stepping Stones") is chartered by the NCUA and is maintained as a separate organization. The assets, liabilities, and activities of Stepping Stones are not reflected in the Council's financial statements. Council employees serve in various roles for Stepping Stones and the costs of those services, as well as other direct and allocated indirect costs, are reflected on the statement of functions expenses under the "Economic Justice" program which totaled \$250,367 for the year ended June 30, 2015.