

**DELAWARE COMMUNITY REINVESTMENT  
ACTION COUNCIL, INC.  
AND AFFILIATE  
(DCRAC ECONOMIC DEVELOPMENT  
FUND, LLC)**

**CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Delaware Community Reinvestment Action Council, Inc. and Affiliate  
600 South Harrison Street  
Wilmington, DE 19805

### **Opinion**

We have audited the accompanying consolidated financial statements of the Delaware Community Reinvestment Action Council, Inc. and Affiliate (collectively, "the Council"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Council, as of June 30, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

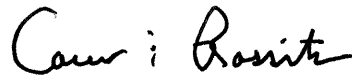
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental June 30, 2022 consolidating statements are presented on pages 20 and 21 for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the June 30, 2022 consolidated financial statements as a whole.



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Certified Public Accountants

September 16, 2022  
Wilmington, Delaware

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,394,823	\$ 936,920
Prepaid expenses	10,789	10,789
Total current assets	<u>1,405,612</u>	<u>947,709</u>
<b>OTHER ASSETS</b>		
Loans receivable, net	378,498	530,305
Investments	15,913	17,275
Property and equipment, net	605,225	638,915
Total other assets	<u>999,636</u>	<u>1,186,495</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,405,248</u></b>	<b><u>\$ 2,134,204</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 7,253	\$ 6,464
Payroll liabilities	-	200
Deferred revenue	-	20,000
Total current liabilities	<u>7,253</u>	<u>26,664</u>
<b>NET ASSETS</b>		
Without donor restrictions	2,147,995	2,107,540
With donor restrictions	250,000	-
Total net assets	<u>2,397,995</u>	<u>2,107,540</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,405,248</u></b>	<b><u>\$ 2,134,204</u></b>

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

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
AND AFFILIATE  
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions and grants						
Internal Revenue Service	\$ 91,300	\$ -	\$ 91,300	\$ 100,000	\$ -	\$ 100,000
Delaware Grant in Aid	10,300	-	10,300	10,000	-	10,000
Sussex County	1,900	-	1,900	2,150	-	2,150
City of Wilmington	-	-	-	5,438	-	5,438
Christ Church Christiana Hundred	7,200	-	7,200	2,000	-	2,000
FLEF - Delaware	-	-	-	3,750	-	3,750
Artisans' Bank	-	-	-	1,500	-	1,500
Bank of America	100,000	-	100,000	140,000	-	140,000
Discover Bank	350,000	250,000	600,000	169,000	-	169,000
HSBC	5,000	-	5,000	5,000	-	5,000
PNC	-	-	-	7,500	-	7,500
Fulton Bank	1,000	-	1,000	1,000	-	1,000
M&T Bank	10,000	-	10,000	10,000	-	10,000
TD Bank	-	-	-	140,000	-	140,000
Barclay's Bank	25,000	-	25,000	40,000	-	40,000
Capital One Bank	50,000	-	50,000	120,000	-	120,000
Reach Riverside Development Corp	20,000	-	20,000	-	-	-
Cinnaire Foundation	-	-	-	15,000	-	15,000
Longwood Foundation	100,000	-	100,000	-	-	-
Principal Foundation	100,000	-	100,000	-	-	-
Gannett Foundation Fund	5,000	-	5,000	10,000	-	10,000
Other contributions	22,525	-	22,525	48,627	-	48,627
CARES Act	-	-	-	744,300	-	744,300
Celebrating CRA and other fundraisers	26,100	-	26,100	42,000	-	42,000
Discover loan transfer	176,689	-	176,689	85,326	-	85,326
Estimated PPP Forgiveness	-	-	-	21,202	-	21,202
Employee Retention Tax Credit	26,230	-	26,230	-	-	-
Rental income	900	-	900	2,700	-	2,700
Miscellaneous income	31,494	-	31,494	19,963	-	19,963
Donated services	300,000	-	300,000	300,000	-	300,000
Net assets released from restrictions:						
Satisfaction of program restrictions	-	-	-	283,333	(283,333)	-
Total support and revenue	1,460,638	250,000	1,710,638	2,329,789	(283,333)	2,046,456
<b>OPERATING EXPENSES</b>						
Program services:						
Money School	253,699	-	253,699	238,242	-	238,242
Tax Clinic	258,661	-	258,661	243,381	-	243,381
Estate Practice	278,508	-	278,508	263,944	-	263,944
Economic Justice	547,641	-	547,641	1,090,978	-	1,090,978
	1,338,509	-	1,338,509	1,836,545	-	1,836,545
Management and general	94,768	-	94,768	92,910	-	92,910
Fundraising	6,117	-	6,117	1,315	-	1,315
	100,885	-	100,885	94,225	-	94,225
Total operating expenses	1,439,394	-	1,439,394	1,930,770	-	1,930,770
Change in net assets - Operating	21,244	250,000	271,244	399,019	(283,333)	115,686
<b>Non-Operating Activities</b>						
Interest income on Discover loans	19,598	-	19,598	23,097	-	23,097
Investment performance	(387)	-	(387)	3,876	-	3,876
Change in Net Assets - Non-Operating	19,211	-	19,211	26,973	-	26,973
<b>CHANGE IN NET ASSETS</b>	40,455	250,000	290,455	425,992	(283,333)	142,659
<b>NET ASSETS AT BEGINNING OF YEAR</b>	2,107,540	-	2,107,540	1,681,548	283,333	1,964,881
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,147,995</b>	<b>\$ 250,000</b>	<b>\$ 2,397,995</b>	<b>\$ 2,107,540</b>	<b>\$ -</b>	<b>\$ 2,107,540</b>

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

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
AND AFFILIATE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022**

	Program Service					Supporting Service			2022
	DCRAC Law								
	Money School	Tax Clinic	Estate Planning	Economic Justice	Total	Management & General	Fundraising	Total	Total Expenses
Salaries	\$ 83,152	\$ 87,772	\$ 106,250	\$ 129,347	\$ 406,521	\$ 55,435	\$ -	\$ 55,435	\$ 461,956
Payroll taxes	6,158	6,500	7,869	9,580	30,107	4,106	-	4,106	34,213
Advertising and promotion	20,061	20,061	20,061	7,166	67,349	4,299	-	4,299	71,648
Building occupancy	10,286	10,286	10,286	3,674	34,532	2,205	-	2,205	36,737
Consultant fees	10,752	10,752	10,752	3,840	36,096	2,304	-	2,304	38,400
Credit Union program	-	-	-	350,000	350,000	-	-	-	350,000
Depreciation and amortization	10,915	10,915	10,915	3,898	36,643	2,339	-	2,339	38,982
Fundraiser	-	-	-	-	-	-	6,117	6,117	6,117
Insurance	5,881	5,881	5,881	2,100	19,743	1,261	-	1,261	21,004
Meetings	210	210	210	74	704	45	-	45	749
Miscellaneous	5,396	5,396	5,396	1,929	18,117	1,156	-	1,156	19,273
Office supplies	3,772	3,772	3,772	1,348	12,664	808	-	808	13,472
Professional fees	88,060	88,060	88,060	31,450	295,630	18,870	-	18,870	314,500
Telecommunications	5,609	5,609	5,609	2,003	18,830	1,202	-	1,202	20,032
Travel	846	846	846	304	2,842	181	-	181	3,023
Utilities	2,601	2,601	2,601	928	8,731	557	-	557	9,288
<b>TOTAL EXPENSES</b>	<b>\$ 253,699</b>	<b>\$ 258,661</b>	<b>\$ 278,508</b>	<b>\$ 547,641</b>	<b>\$ 1,338,509</b>	<b>\$ 94,768</b>	<b>\$ 6,117</b>	<b>\$ 100,885</b>	<b>\$ 1,439,394</b>

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**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
AND AFFILIATE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

	Program Service					Supporting Service			2021
	DCRAC Law								
	Money School	Tax Clinic	Estate Planning	Economic Justice	Total	Management & General	Fundraising	Total	Total Expenses
Salaries	\$ 85,167	\$ 89,898	\$ 108,824	\$ 132,482	\$ 416,371	\$ 56,778	\$ -	\$ 56,778	\$ 473,149
Payroll taxes	6,828	7,207	8,725	10,622	33,382	4,552	-	4,552	37,934
Employee Benefits	534	563	682	829	2,608	356	-	356	2,964
Advertising and promotion	18,402	18,402	18,402	6,571	61,777	3,943	-	3,943	65,720
Building occupancy	3,938	3,938	3,938	1,408	13,222	844	-	844	14,066
Credit Union program	-	-	-	895,000	895,000	-	-	-	895,000
Depreciation and amortization	10,915	10,915	10,915	3,898	36,643	2,339	-	2,339	38,982
Fundraiser	-	-	-	-	-	-	1,315	1,315	1,315
Insurance	4,174	4,174	4,174	1,492	14,014	894	-	894	14,908
Meetings	51	51	51	19	172	11	-	11	183
Miscellaneous	2,525	2,525	2,525	903	8,478	541	-	541	9,019
Office supplies	8,531	8,531	8,531	3,046	28,639	1,828	-	1,828	30,467
Professional fees	87,182	87,182	87,182	31,137	292,683	18,682	-	18,682	311,365
Telecommunications	6,147	6,147	6,147	2,194	20,635	1,317	-	1,317	21,952
Television	42	42	42	15	141	9	-	9	150
Travel	1,170	1,170	1,170	419	3,929	251	-	251	4,180
Utilities	2,636	2,636	2,636	943	8,851	565	-	565	9,416
<b>TOTAL EXPENSES</b>	<b>\$ 238,242</b>	<b>\$ 243,381</b>	<b>\$ 263,944</b>	<b>\$ 1,090,978</b>	<b>\$ 1,836,545</b>	<b>\$ 92,910</b>	<b>\$ 1,315</b>	<b>\$ 94,225</b>	<b>\$ 1,930,770</b>

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



**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions and grants	\$ 1,186,949	\$ 1,595,228
Cash paid to suppliers and employees	(1,099,823)	(1,593,796)
Cash received for services not yet provided	-	20,000
Cash received from loan portfolio	348,094	260,038
Cash received from special events	26,100	42,000
Cash received from interest and dividends	1,907	842
Cash received from rental	900	2,700
	<u>464,127</u>	<u>327,012</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchases) proceeds from investments	(932)	42
Purchase of equipment	(5,292)	(129,920)
	<u>(6,224)</u>	<u>(129,878)</u>
Net cash used by investing activities		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	457,903	197,134
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>936,920</u>	<u>739,786</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,394,823</u></u>	<u><u>\$ 936,920</u></u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Contributed services	<u><u>\$ 300,000</u></u>	<u><u>\$ 300,000</u></u>

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

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**ORGANIZATION**

This summary of significant accounting policies of the Delaware Community Reinvestment Action Council, Inc. and Affiliate (collectively, “the Council”) is presented to assist in understanding the Council’s consolidated financial statements. The consolidated 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 consolidated financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Council is a nonprofit founded to realize the promise of an accessible, community-centric financial system. We provide low- and no-cost services – including banking and legal – to folks statewide that empower them to take charge of their financial lives.

- DCRAC Law – Financial stability often means resolving complicated issues, and at DCRAC Law, those cases are our entire purpose  
Estate Practice offers affordable legal representation for probate and estate planning, as well as in untangling often-complex title and inheritance issues.  
The Low-Income Tax Clinic further ensures everyone can get the tax services they need – and pay what they owe, not more – to address federal debts, filing questions, and everything in between.
- The Money School – Saving money, setting a budget, achieving stability, and otherwise engaging with traditional financial services can be daunting, which is why the Money School offers free classes on topics ranging from managing money and estate planning to tax refunds and unemployment insurance.
- Stepping Stones Community Federal Credit Union – Centered on helping our own community thrive, Stepping Stones offers fee-free accounts and modest interest loans to members. Anyone with a connection to the City of Wilmington and \$5 to deposit can join to support banking services that work for Delawareans, regardless of income – and take a stand against predatory lenders. From offering Paycheck Protection Program Loans to becoming the primary financial institution for people in Delaware’s prisons, Stepping Stones ensures everyone has a place in mainstream financial systems.

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 at the Money School.

**Accounting Method**

The Council's policy is to use the accrual basis of accounting.

**DCRAC Economic Development Fund, LLC and Principles of Consolidation**

DCRAC Economic Development Fund, LLC ("the LLC") is a wholly owned subsidiary Delaware Community Reinvestment Action Council, Inc. ("DCRAC"). The LLC was formed to house certain loans gifted by Discover Bank. Since the LLC is wholly owned by DCRAC, these financial statements have been presented on a consolidated basis with the activities, assets, and liabilities being combined. All activity between the two entities (consisting of funds "granted" from the LLC to DCRAC) has been eliminated. See supplemental consolidating statements on pages 20 and 21 for the details.

**Basis of Presentation**

Net assets, revenues, gains, and losses are classified based on existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions** – Net assets available for support of the Council's programs and general operations and not subject to donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

**Net Assets with Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Grants and other contributions of cash and other assets are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. The Council reports contributions restricted by donors as increases in net asset without donor restrictions if the restrictions expire in the reporting report in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction. Gains and losses on investments are reported as increases and decreases within net assets class to which they relate.

**Cash, Cash Equivalents, and Credit Risk**

Cash and cash equivalents include 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. 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 increases in net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

**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 consolidated statement of activities as investment performance.

**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;

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 assets without donor restrictions. Expenditures for property and equipment in excess of \$1,500 are capitalized. Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Office equipment and software	\$ 25,909	\$ 25,909
Building and improvement	583,255	583,255
Automobile	85,700	85,700
Construction in process	152,097	146,805
Land	6,500	6,500
	<u>853,461</u>	<u>848,169</u>
Less: Accumulated Depreciation	<u>(248,236)</u>	<u>(209,254)</u>
	<u><u>\$ 605,225</u></u>	<u><u>\$ 638,915</u></u>

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 years ended June 30, 2022 and 2021 was \$38,982.

**Income Tax Status**

The Council is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Council are deductible for the donor. As a publicly supported organization under Section 509(a)(1), the council is not considered a private foundation.

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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.

**Deferred Revenue**

Deferred revenue reflects payment for contractual services that have not yet been provided. The following table provides information about significant changes in deferred revenue for the year ended June 30, 2022:

Deferred revenue, June 30, 2021	\$ 20,000
Satisfaction of performance conditions	<u>(20,000)</u>
Deferred revenue, June 30, 2022	<u><u>\$ -</u></u>

**Functional 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 supporting service. All other expenses are allocated using management's best estimates based on time expended or among the programs and supporting services benefited.

**Advertising Costs**

Advertising costs are charged to expense as incurred. Advertising costs incurred during the years ended June 30, 2022 and 2021 were \$6,177 and \$12,908, respectively.

**Donated Services**

The Council estimates that 1,000 hours of legal assistance and financial education were rendered to its clients in support of the Council's programs. These hours have been valued at \$300,000 based on the estimated fair value of services received. These services 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 consolidated statement of activities, for the years ended June 30, 2022 and 2021.

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

Management has evaluated subsequent events through September 16, 2022, the date the consolidated financial statements were available to be issued.

**LIQUIDITY AND AVAILABILITY**

The Council has the following liquid assets available for use in operations at June 30,

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,394,823	\$ 936,920
Investments	15,913	17,275
Less amounts restricted	<u>(250,000)</u>	<u>-</u>
Total	<u>\$ 1,160,736</u>	<u>\$ 954,195</u>

The Council routinely receives funding without donor restrictions from contributors to use on program expenses.

The Council now receives payments on a loan portfolio which are available for general operations. The Council expects approximately \$75,000 will be received from that source for the year ending June 30, 2023.

The Council may draw on a \$250,000 working capital line of credit which was established for liquidity purposes. No amounts had been drawn during the years ended June 30, 2022 and 2021.

**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 consolidated 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 consolidated statement of functional expenses under the “Economic Justice” program which totaled \$547,641 and \$1,090,978 for the years ended June 30, 2022 and 2021, respectively.

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

During the year ended June 30, 2019, the Council received as a contribution from Discover Bank, a portfolio of 36 mortgage loans with a total face value of \$2,259,722. The loans are diverse in terms of their history and the potential for collections. The Council has adopted the following policy with respect to recognition of the contributions:

- Recognize loans with a steady payment history and regular remittances to the Council at full face value.
- Recognize all other loans only as payments are received.

During the years ended June 30, 2022 and 2021, \$151,807 and \$151,615, respectively, of loans receivable were paid to the Council, leaving a balance of \$378,498 and \$530,305 as the recognized receivable balance for the years ended June 30, 2022 and 2021, respectively. The Council also received \$176,689 and \$85,326 in 2022 and 2021, respectively, that was recognized as revenue from collections on loans not initially recognized. The total remaining face value of the loan portfolio is estimated to be \$1,163,935 and \$1,485,814 at June 30, 2022 and 2021, respectively. The Council believes that \$378,498 is a conservative estimate of amounts expected to be collected as of June 30, 2022.

Although, each of the loans is collateralized by real estate, it is not possible to estimate the value or the costs that would be incurred in collection efforts and the collateral has not been considered as a factor in estimating the value of the loans. Since this is a subjective estimate, the loans receivable balance is considered to be at Level 3 in the fair value hierarchy.

**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.



**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**COMMITMENTS**

The Council has signed a letter of commitment agreeing to financially support Stepping Stones. The amount is uncertain and no liabilities have been accrued in the June 30, 2022 and 2021 consolidated financial statements. The total committed amount of support to Stepping Stones is \$250,000 for the year ending June 30, 2023.

**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 consolidated 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 following table sets forth the level, within the fair value hierarchy, of the beneficial interest in assets held by the Foundation at fair value as of June 30:

2022	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets:				
Held by Delaware Community Foundation	\$ -	\$ 15,913	\$ -	\$ 15,913

2021	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets:				
Held by Delaware Community Foundation	\$ -	\$ 17,275	\$ -	\$ 17,275

The fund consists of invested gifts, appreciation and related income net of administrative and investment charges. The Council recognizes distributions from the Foundation (when they occur) as a liquidation of an investment and not contribution or grant revenue on the consolidated statement of activities. The Council did not receive any distributions from the Foundation during the years ended June 30, 2022 and 2021. The following table summarizes the changes in assets held by the Foundation:

Balance at June 30, 2020	\$ 14,283
Reinvestment of interest	198
Change in value	<u>2,794</u>
Balance at June 30, 2021	17,275
Reinvestment of interest	413
Change in value	<u>(1,775)</u>
Balance at June 30, 2022	<u>\$ 15,913</u>

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
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JUNE 30, 2022 AND 2021**

**NET ASSETS WITH DONOR RESTRICTIONS**

The Council receipt and release of restricted funds are shown in the table below for the year ended June 30:

	Balance at July 1, 2021	Restricted revenue recognized	Releases from restriction	Balance at June 30, 2022
Net assets with donor restrictions subject to specified purposes:				
Stepping Stones Credit Union	\$ -	\$ 250,000	\$ -	\$ 250,000
Totals net assets with donor restrictions	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>
	Balance at July 1, 2020	Restricted revenue recognized	Releases from restriction	Balance at July 1, 2021
Net assets with donor restrictions subject to specified purposes:				
Legal programs	\$ 100,000	\$ -	\$ (100,000)	\$ -
Capital campaign	183,333	-	(183,333)	-
Totals net assets with donor restrictions	<u>\$ 283,333</u>	<u>\$ -</u>	<u>\$ (283,333)</u>	<u>\$ -</u>

**LINE OF CREDIT AVAILABLE**

The Council has a signed line of credit agreement with a local bank enabling the Council to draw up to \$250,000 to support its operations. No amounts had been drawn during the years ended June 30, 2022 and 2021. The line of credit has a fixed rate of 4.9% on any amount drawn and is collateralized by the Council's 600 Harrison Street property. The line of credit agreement will expire in June 2023 with an option to renew annually. Interest only payments will be due on amounts drawn until the line of credit expires at which time all interest and principal are due and payable.

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**PAYCHECK PROTECTION PROGRAM**

The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. The Council applied and was approved for a loan under the Paycheck Protection Program (“PPP”) provision of the CARES Act. The proceeds of this loan in the amount of \$82,635 were received on May 7, 2020.

Under the provisions of the PPP, the loan may be forgiven in whole or in part by expending the funds for qualifying expenses which include payroll (with certain qualifications) and other expenses. On March 17, 2021 the Council received PPP loan forgiveness from the Small Business Administration. The loan (and forgiveness) was recognized as a conditional contribution under Accounting Standards Codification Subtopic 958-605. The Council recognized revenue in the amount of \$0 and \$21,202 for the years ended June 30, 2022 and June 30, 2021, respectively, which is management’s estimate of qualifying expenses for each of those years.

**EMPLOYEE RETENTION CREDIT**

The Employee Retention Credit is a provision of the CARES Act. The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020 and before January 1, 2021. For each employee, wages (including certain health plan costs) up to \$10,000 for the year of 2020 can be counted to determine the amount of the 50% credit. DCRAC received \$26,230 for qualifying wages during the year ended June 30, 2022.

**RISKS AND UNCERTAINTY**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad impact on commerce and financial markets around the world. The United States and global markets experienced fluctuations in value resulting from uncertainty caused by the pandemic. The Council is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these fluctuations. The extent of the impact of COVID-19 on the Council’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Council’s financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

## **SUPPLEMENTAL SCHEDULES**

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
AND AFFILIATE  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2022**

	DCRAC	DCRAC Economic Development Fund, LLC	Eliminations	Total
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 410,541	\$ 984,282	\$ -	\$ 1,394,823
Prepaid expenses	10,789	-	-	10,789
Total current assets	421,330	984,282	-	1,405,612
<b>OTHER ASSETS</b>				
Loans receivable	-	378,498	-	378,498
Investments	15,913	-	-	15,913
Property and equipment, net	605,225	-	-	605,225
Total other assets	621,138	378,498	-	999,636
<b>TOTAL ASSETS</b>	<b>\$ 1,042,468</b>	<b>\$ 1,362,780</b>	<b>\$ -</b>	<b>\$ 2,405,248</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 7,253	\$ -	\$ -	\$ 7,253
Total current liabilities	7,253	-	-	7,253
<b>NET ASSETS</b>				
Without donor restrictions	785,215	1,362,780	-	2,147,995
With donor restrictions	250,000	-	-	250,000
Total net assets	1,035,215	1,362,780	-	2,397,995
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,042,468</b>	<b>\$ 1,362,780</b>	<b>\$ -</b>	<b>\$ 2,405,248</b>

See independent auditor's report

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.  
AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022**

	DCRAC			DCRAC Economic Development Fund, LLC		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Total
<b>SUPPORT AND REVENUE</b>						
Contributions and grants						
Internal Revenue Service	\$ 91,300	\$ -	\$ 91,300	\$ -	\$ -	\$ 91,300
Delaware Grant in Aid	10,300	-	10,300	-	-	10,300
Sussex County	1,900	-	1,900	-	-	1,900
Christ Church Christiana Hundred	7,200	-	7,200	-	-	7,200
Bank of America	100,000	-	100,000	-	-	100,000
Discover Bank	350,000	250,000	600,000	-	-	600,000
HSBC	5,000	-	5,000	-	-	5,000
Fulton Bank	1,000	-	1,000	-	-	1,000
M&T Bank	10,000	-	10,000	-	-	10,000
Barclay's Bank	25,000	-	25,000	-	-	25,000
Capital One Bank	50,000	-	50,000	-	-	50,000
Reach Riverside Development Corp	20,000	-	20,000	-	-	20,000
Longwood Foundation	100,000	-	100,000	-	-	100,000
Principal Foundation	100,000	-	100,000	-	-	100,000
Gannett Foundation Fund	5,000	-	5,000	-	-	5,000
DCRAC EDF, LLC	361,477	-	361,477	-	(361,477)	-
Other contributions	22,525	-	22,525	-	-	22,525
Celebrating CRA and other fundraisers	26,100	-	26,100	-	-	26,100
Discover loan transfer	-	-	-	176,689	-	176,689
Employee Retention Tax Credit	26,230	-	26,230	-	-	26,230
Rental income	900	-	900	-	-	900
Miscellaneous income	31,494	-	31,494	-	-	31,494
Donated services	300,000	-	300,000	-	-	300,000
Net assets released from restrictions:						
Satisfaction of program restrictions	-	-	-	-	-	-
Total support and revenue	1,645,426	250,000	1,895,426	176,689	(361,477)	1,710,638
<b>OPERATING EXPENSES</b>						
Program services:						
Money School	253,699	-	253,699	-	-	253,699
Tax Clinic	258,661	-	258,661	-	-	258,661
DCRAC Law	278,508	-	278,508	-	-	278,508
Economic Justice	547,641	-	547,641	361,477	(361,477)	547,641
	1,338,509	-	1,338,509	361,477	(361,477)	1,338,509
Management and general	94,183	-	94,183	585	-	94,768
Fundraising	6,117	-	6,117	-	-	6,117
	100,300	-	100,300	585	-	100,885
Total operating expenses	1,438,809	-	1,438,809	362,062	(361,477)	1,439,394
Change in Net Assets - Operating	206,617	250,000	456,617	(185,373)	-	271,244
<b>NON-OPERATING ACTIVITIES</b>						
Interest income on Discover loans	-	-	-	19,598	-	19,598
Investment performance	(387)	-	(387)	-	-	(387)
Change in Net Assets - Non-Operating	(387)	-	(387)	19,598	-	19,211
<b>CHANGE IN NET ASSETS</b>	206,230	250,000	456,230	(165,775)	-	290,455
<b>NET ASSETS AT BEGINNING OF YEAR</b>	578,985	-	578,985	1,528,555	-	2,107,540
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 785,215</b>	<b>\$ 250,000</b>	<b>\$ 1,035,215</b>	<b>\$ 1,362,780</b>	<b>\$ -</b>	<b>\$ 2,397,995</b>

See independent auditor's report