

**DELAWARE COMMUNITY  
REINVESTMENT ACTION COUNCIL  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016  
WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

*Great advice. Great people.*

INDEPENDENT AUDITOR'S REPORT

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

**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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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, 2017 and 2016, 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.

*Carroll & Rossiter*

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Certified Public Accountants

October 17, 2017

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 298,757	\$ 267,055
Grants receivable	7,440	60,832
Total current assets	306,197	327,887
 <b>PROPERTY AND EQUIPMENT</b>		
Office equipment	44,637	44,637
Building and improvements	570,516	486,002
Automobiles	85,700	-
Land	6,500	9,500
	707,353	540,139
Less: Accumulated depreciation	88,816	75,316
Total property and equipment - net	618,537	464,823
<b>INVESTMENTS</b>	13,481	12,255
<b>ASSET HELD FOR SALE</b>	-	83,879
<b>LOAN ORIGATION FEES - NET</b>	-	333
	13,481	96,467
<b>TOTAL ASSETS</b>	<b>\$ 938,215</b>	<b>\$ 889,177</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 25,586	\$ 8,922
Payroll liabilities	200	7,752
Current portion of long-term debt	-	2,772
Total current liabilities	25,786	19,446
<b>LONG-TERM DEBT - NET OF CURRENT PORTION</b>	-	53,801
 <b>NET ASSETS</b>		
Unrestricted	912,429	770,930
Temporarily restricted	-	45,000
Total net assets	912,429	815,930
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 938,215</b>	<b>\$ 889,177</b>

The accompanying notes are an integral part of these financial statements

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Contributions and grants						
Internal Revenue Service	\$ 35,000	\$ -	\$ 35,000	\$ 70,000	\$ -	\$ 70,000
Delaware Grant in Aid	5,000	-	5,000	5,000	-	5,000
Delaware State Housing Authority	18,889	-	18,889	6,867	-	6,867
New Castle County	-	-	-	5,000	-	5,000
Sussex County	1,000	-	1,000	1,000	-	1,000
City of Wilmington	-	-	-	10,000	-	10,000
National Community Reinvestment Coalition	12,962	-	12,962	14,559	-	14,559
Christ Church Christiana Hundred	-	-	-	1,000	-	1,000
FLEF - Delaware	-	-	-	29,000	-	29,000
Arshat Canon	25,000	-	25,000	25,000	-	25,000
Bank of America	50,000	-	50,000	100,000	-	100,000
JP Morgan Chase	-	-	-	100	-	100
Discover Bank	275,000	-	275,000	25,000	-	25,000
HSBC	5,000	-	5,000	10,000	-	10,000
WSFS	-	-	-	3,000	-	3,000
M&T Bank	-	7,500	7,500	6,500	-	6,500
TD Bank	30,000	-	30,000	30,000	-	30,000
Barclay's Bank	50,000	-	50,000	5,000	-	5,000
Citi Foundation	-	-	-	75,000	-	75,000
Capital One Bank	50,000	-	50,000	50,000	-	50,000
Catholic Campaign for Human Development	60,000	-	60,000	65,000	-	65,000
Crestlea Foundation	-	10,000	10,000	-	-	-
Welfare Foundation	-	50,000	50,000	-	-	-
Laffey McHugh Foundation	-	20,000	20,000	-	-	-
Delaware Community Foundation	-	10,000	10,000	-	-	-
Other contributions	1,854	-	1,854	3,615	-	3,615
Celebrating CRA and other fundraisers	14,377	-	14,377	47,355	-	47,355
Discover loan payments	10,599	-	10,599	22,518	-	22,518
Miscellaneous income	7,241	-	7,241	279,576	-	279,576
Donated services	300,000	-	300,000	300,000	-	300,000
Net assets released from restrictions:						
Satisfaction of program restrictions	142,500	(142,500)	-	55,000	(55,000)	-
<b>Total support and revenue</b>	<b>1,094,422</b>	<b>(45,000)</b>	<b>1,049,422</b>	<b>1,245,090</b>	<b>(55,000)</b>	<b>1,190,090</b>
<b>OPERATING EXPENSES</b>						
Program services:						
Credit Clinic	203,572	-	203,572	176,608	-	176,608
Tax Clinic	225,222	-	225,222	229,779	-	229,779
Housing Clinic	213,076	-	213,076	184,716	-	184,716
Economic Justice	201,416	-	201,416	194,504	-	194,504
	<u>843,286</u>	<u>-</u>	<u>843,286</u>	<u>785,607</u>	<u>-</u>	<u>785,607</u>
Supporting services	45,075	-	45,075	48,310	-	48,310
Fundraising & development	33,070	-	33,070	31,353	-	31,353
	<u>78,145</u>	<u>-</u>	<u>78,145</u>	<u>79,663</u>	<u>-</u>	<u>79,663</u>
<b>Total operating expenses</b>	<b>921,431</b>	<b>-</b>	<b>921,431</b>	<b>865,270</b>	<b>-</b>	<b>865,270</b>
<b>Change in Net Assets - Operating</b>	<b>172,991</b>	<b>(45,000)</b>	<b>127,991</b>	<b>379,820</b>	<b>(55,000)</b>	<b>324,820</b>
<b>Non-Operating Activities</b>						
Investment performance	2,087	-	2,087	178	-	178
Loss on sale of fixed assets	(33,579)	-	(33,579)	-	-	-
<b>Change in Net Assets - Non-Operating</b>	<b>(31,492)</b>	<b>-</b>	<b>(31,492)</b>	<b>178</b>	<b>-</b>	<b>178</b>
<b>CHANGE IN NET ASSETS</b>	<b>141,499</b>	<b>(45,000)</b>	<b>96,499</b>	<b>379,998</b>	<b>(55,000)</b>	<b>324,998</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>770,930</b>	<b>45,000</b>	<b>815,930</b>	<b>390,932</b>	<b>100,000</b>	<b>490,932</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 912,429</b>	<b>\$ -</b>	<b>\$ 912,429</b>	<b>\$ 770,930</b>	<b>\$ 45,000</b>	<b>\$ 815,930</b>

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, 2017**

2017

	<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 &amp; Development</u>	<u>Total Expenses</u>
Salaries	\$ 71,322	\$ 91,298	\$ 80,042	\$ 80,183	\$ 322,845	\$ 16,607	\$ 19,870	\$ 359,322
Payroll taxes	5,791	7,465	6,574	6,068	25,898	1,368	1,634	28,900
Advertising and promotion	2,174	2,174	2,174	776	7,298	466	-	7,764
Building occupancy	9,881	9,881	9,881	3,529	33,172	2,119	-	35,291
Credit Union program	-	-	-	70,000	70,000	-	-	70,000
Depreciation and amortization	3,735	3,735	3,735	1,334	12,539	802	-	13,341
Fundraiser	-	-	-	-	-	-	11,566	11,566
Insurance	3,349	3,349	3,349	1,196	11,243	717	-	11,960
Interest	320	320	321	114	1,075	69	-	1,144
Meetings	358	358	358	128	1,202	76	-	1,278
Miscellaneous	3,680	3,680	3,680	1,314	12,354	789	-	13,143
Office supplies	3,861	3,861	3,861	1,379	12,962	827	-	13,789
Professional fees	86,650	86,650	86,650	30,947	290,897	18,569	-	309,466
Telecommunications	2,586	2,586	2,586	924	8,682	555	-	9,237
Television	1,197	1,197	1,197	428	4,019	256	-	4,275
Travel	5,741	5,741	5,741	2,050	19,273	1,230	-	20,503
Utilities	2,927	2,927	2,927	1,046	9,827	625	-	10,452
<b>TOTAL EXPENSES</b>	<b>\$ 203,572</b>	<b>\$ 225,222</b>	<b>\$ 213,076</b>	<b>\$ 201,416</b>	<b>\$ 843,286</b>	<b>\$ 45,075</b>	<b>\$ 33,070</b>	<b>\$ 921,431</b>

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, 2016**

2016

	<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 &amp; Development</u>	<u>Total Expenses</u>
Salaries	\$ 34,731	\$ 96,780	\$ 55,001	\$ 88,052	\$ 274,564	\$ 19,887	\$ 24,291	\$ 318,742
Payroll taxes	2,674	7,596	4,311	6,664	21,245	1,555	1,875	24,675
Public Ally	13,800	-	-	-	13,800	-	-	13,800
Advertising and promotion	3,265	3,265	3,265	1,166	10,961	701	-	11,662
Building occupancy	7,494	7,493	7,493	2,676	25,156	1,605	-	26,761
Credit Union program	-	-	-	55,000	55,000	-	-	55,000
Depreciation and amortization	4,491	4,491	4,491	1,605	15,078	963	-	16,041
Fundraiser	-	-	-	-	-	-	5,187	5,187
Insurance	1,420	1,421	1,421	507	4,769	303	-	5,072
Interest	488	488	489	174	1,639	105	-	1,744
Meetings	687	687	687	246	2,307	147	-	2,454
Miscellaneous	3,302	3,302	3,302	1,179	11,085	707	-	11,792
Office supplies	3,086	3,088	3,088	1,103	10,365	662	-	11,027
Professional fees	86,624	86,624	86,624	30,937	290,809	18,563	-	309,372
Telecommunications	3,637	3,637	3,636	1,299	12,209	779	-	12,988
Television	1,330	1,330	1,330	475	4,465	285	-	4,750
Travel	7,429	7,429	7,429	2,653	24,940	1,590	-	26,530
Utilities	2,150	2,148	2,149	768	7,215	458	-	7,673
	<u>\$ 176,608</u>	<u>\$ 229,779</u>	<u>\$ 184,716</u>	<u>\$ 194,504</u>	<u>\$ 785,607</u>	<u>\$ 48,310</u>	<u>\$ 31,353</u>	<u>\$ 865,270</u>

The accompanying notes are an integral part of these financial statements

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions and grants	\$ 680,338	\$ 544,855
Cash paid to suppliers and employees	(597,834)	(537,069)
Cash received from programs	10,599	22,518
Cash received from special events	14,377	47,355
Cash received from interest and dividends	1,643	709
Cash paid for interest	(1,144)	(1,744)
Net cash provided by operating activities	107,979	76,624
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from (purchases of) investments	(449)	80
Purchase of equipment	(171,887)	(25,909)
Proceeds on sale of property	55,132	-
Contributions and grants restricted to long-term purposes	97,500	-
Net cash used by investing activities	(19,704)	(25,829)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term debt	(56,573)	(2,695)
Net cash used by financing activities	(56,573)	(2,695)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	31,702	48,100
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	267,055	218,955
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 298,757	\$ 267,055
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 96,499	\$ 324,998
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions and grants restricted to long-term purposes	(97,500)	-
Depreciation and amortization	13,341	16,041
Loss on sale of fixed assets	33,579	-
Non-cash investment performance	(444)	531
Non-cash donation of building	-	(275,000)
(Increase) decrease in operating assets:		
Grants receivable	53,392	(362)
Increase (decrease) in operating liabilities:		
Accounts payable	16,664	4,668
Payroll liabilities	(7,552)	5,748
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 107,979	\$ 76,624
 <b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Contribution of building	\$ -	\$ 275,000
Contributed services	\$ 300,000	\$ 300,000

The accompanying notes are an integral part of these financial statements



**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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.

**Accounting Method**

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

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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

**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.

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, 2017 AND 2016**

**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 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;

**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, 2017 AND 2016**

**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 years ended June 30, 2017 and 2016 was \$13,341 and \$15,874, respectively.

**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 \$0 and \$167 was recorded for the years ended June 30, 2017 and 2016, respectively and the remaining balance of \$0 and \$333 is shown as an asset on the statement of financial position at June 30, 2017 and 2016, respectively. The loan was paid in full during the year ended June 30, 2017 and the remaining origination costs were expensed at that time.

**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.

**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.

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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

**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, 2017 and 2016 were \$7,440 and \$60,832, respectively. All grants receivable at June 30, 2017 and 2016 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 years ended June 30, 2017 and 2016 were \$180 and \$2,057, respectively.

**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, for the years ended June 30, 2017 and 2016.

**Subsequent Events**

Management has evaluated subsequent events through October 17, 2017 the date the financial statements were available to be issued.

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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, 2017 and 2016, temporarily restricted net assets totaling \$0 and \$45,000, respectively, were available for support of the Stepping Stones Community Federal Credit Union. During the year ended June 30, 2017, the Council received \$97,500 in gifts restricted to helping defray the cost of moving and renovation of its new headquarters building. All funds were expended for their restricted purpose, during the year ended June 30, 2017.

**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. Interest expense was \$1,144 and \$1,744 for the years ended June 30, 2017 and 2016, respectively. The Council paid the loan in full during the year ended June 30, 2017.

**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 \$13,481 and \$12,255 at June 30, 2017 and 2016, respectively.

**DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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 years ended June 30, 2017 and 2016.

**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, 2017, \$10,599 was received and recognized as income. For the year ended June 30, 2016, \$22,518 was received and recognized as income.

**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 functional expenses under the "Economic Justice" program which totaled \$201,416 and \$194,504 for the years ended June 30, 2017 and 2016, respectively.

**GIFT OF BUILDING**

During the year ended June 30, 2016, the Council received a gift of a commercial bank branch from a local financial institution. The building was appraised at \$275,000 and both the gift and the building were included in the June 30, 2016 financial statements at that amount.

The Council intends to use the building to house its headquarters, programming and a branch of the Stepping Stones Community Federal Credit Union.